The MAGAZINE *of* WALL STREET

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INVESTMENT & BUSINESS TREND

Socialism Applied to U. S. Steel—How's Business?—Real Estate Mortgage Bonds—A Square Deal for Investors — The Market Prospect

IT is strange how a little arithmetic applied to the theory of socialism shows how empty and utterly impracticable are the pretensions of the socialists. Let us analyze their cardinal tenet of equal distribution of property by applying to it, for example, the question of distributing equally between all the workers, the 1923 earnings of the U. S. Steel Corporation. Net earnings, as applicable to the preferred and common shares, amounted to 108 millions. According to official figures there were 260,000 employees on the payroll. If we deny the right of the investor to his dividends, which is what the socialists seem to do, and if the employees were to share equally in the net earnings, the result would be an added income for each worker of $415 for the year, or about $8 a week.

This would undoubtedly be welcome to the worker in the mills but it must be remembered that not the entire amount of net earnings could be so distributed. Some part of it must be held in the treasury for future uses. Actually the corporation paid out in dividends to both preferred and common holders, the sum of 54 millions, exactly half the total net earnings. Were the same ratio bestowed on the workers, the net addition to the year's income for each employee would be a trifle over $200 and this in an unusually good year. In the year previous only 39 millions were earned for the combined stocks and after dividend payments, there was a deficit of 11 millions. Assuming again that only the workers had a right to the earnings, the 215,000 employees on the payroll of that year would have each received in added wages the munificent sum of $135, less than $3 a week per man.

The point is that not even the Steel Corporation is rich enough to equally distribute its net earnings to workers on a basis that would help them materially. This would be even if the stockholders were entirely ignored. But if we properly assume that the shareholder has a right to his dividends, it is clear that very little would be left for the workers, above their regular wages, if an equal distribution were made between the employees and shareholders. Finally, the question might be asked: If earnings in a good year are to be distributed among the workers, will they stand to make up a deficit in a bad year? The fact is that there is simply not enough wealth to go around. Socialists should study a little arithmetic.

BUSINESS CONDITIONS THE trend of the past few weeks has been toward slow, though irregular improvement. Fall and winter demand are exerting their effect and expansion of industrial operations on a fair-sized scale is in prospect. Political conditions have had a considerable influence in restraining important industrial transactions but this is a temporary factor and will soon disappear. Prices are holding fairly steady. Profits, generally speaking, are not as great as last year. Still, they are substantial in many cases. Another page in this issue lists some thirty representative corporations which have earned unusually large amounts in a year of relatively poor business.

The money situation continues sound and

while there are evidences that world drafts on our money resources will tend to increase, there is still a wide enough margin to permit increasing business activity for the time being. We do not expect a boom in the next few months but gradual improvement is a reasonable prospect.

REAL ESTATE BONDS

THE criticism of real estate investment bonds in a report submitted to the recent convention of the Investment Bankers' Association deserves special comment. The statement was made that real estate values are at the peak, a position supported by the opinions of three nationally known experts whose views are given elsewhere in this issue. Consequently, the point is rightly taken that the outlook for real estate mortgage bonds as a class should be subject to special scrutiny at this time, in view of the outlook for declining real estate values. Obviously, where loans have been made on too high a percentage of the appraised property, a decline in real estate values would have an unfortunate effect. It is clear that special hazards will be entailed in such an event and it is equally obvious that investment firms specializing in this type of business need to exert special care in their transactions.

FOR THE INVESTOR

THOUGH in the past few years, the trend of dividends has been upward, there are many corporations which are still pursuing a niggardly policy toward their shareholders. It would seem that where a company is in sound financial condition with earnings of a more or satisfactory nature, though they need not be very large, the shareholder is entitled to some return on his investment.

Wealthy investors, perhaps, can afford to forego their dividends since their taxes are high but they do not lose in the long run since the constant building up of surplus adds potential profit to their holdings. The small investor, however, is in no such position and requires an immediate return on his capital.

In cases where the dividends are withheld for a period of years, the loss of interest on the investment may amount to a very respectable sum. Sometimes, it may take several years of dividend payments to make up the deficiency. Of course, the small investor is not compelled to purchase non-dividend paying securities and perhaps it would suit his purpose best not to make such investments. The fact, however, is that the small investors in the aggregate hold a great quantity of non-dividend paying issues, whether they should do so or not.

In the circumstances, fair treatment demands that if a company is in a position to declare dividends, it should do so even if the rate of payment be a small one. A small dividend clearly is better than none at all. Furthermore, public recognition of a more liberal attitude on the part of the corporation managements would do much to stimulate confidence in the securities markets. If, on the other hand, the management decides that the time is not ripe for the declaration of dividends, let them say so and give full reasons to their stockholders, but the thing that should not be done is to leave them in the dark on their dividend prospects.

ELECTION SCARES

WHILE market manipulators may raid stock prices shouting "La Follette, La Follette," instead of "wolf, wolf," for their own sinister purposes, we doubt if there is a single, well informed political observer in the United States, including Mr. La Follette himself, who honestly believes that the third party candidate has an outside chance of being elected, or of even influencing the election into the House. La Follette is a "protest candidate" purely and simply, and the greatest objective he expects to achieve is lay the basis for a third party which may prevail at the election of 1928.

THE MARKET PROSPECT

IN our previous issue, we stated that the balance of probabilities was still in favor of the long side, but any operations then undertaken should be with a recognition of the uncertainties in the situation, and risk should therefore be limited. Many people, both business men and investors, now prefer to withhold commitments until the Election uncertainty is removed. This perhaps is the wisest course.

Among investments, it is clear that high-grade bonds and preferred stocks return too little to be attractive either from an income or profit viewpoint. On the other hand, investors will find a number of good opportunities among middle-grade bonds and preferred stocks. High-grade common stocks which are held for income as part of a more or less permanent list of investment holdings, should be retained. Monday, October 6, 1924.

Commencing a New Series of Great Importance to Investors

Making Wall Street Safer for the Public

1.—*What the New York Stock Exchange and Its Members Can Do to Prevent Failures*

By Richard D. Wyckoff

WHEN the announcement of the failure of a New York Stock Exchange firm is made from the rostrum of that institution, a chill goes down the back of every member on the floor who hears it. The chill extends over the 'phones to the brokerage offices, is further transmitted around the country by news tickers and telegraph wires, and within a few hours everyone concerned knows that Wall Street has another blackeye.

There is the usual hustling around to see how much money the failed firm owes the other member houses; its liability to clients; the cause of the failure; what chance there is for creditors receiving one hundred cents on the dollar. If, as in the case of the recent failure of one of the oldest and most respected houses on the Street, the calamity is due to defalcation by one of the firm's members, the excitement dies down temporarily until the defaulter is located; but the usual sequence is a series of notices of meetings, or details of partial payments to creditors, and after a while the matter is forgotten — until the next failure occurs.

Ever since the New York Stock Exchange was established there have been a certain number of failures nearly every year. I have not a complete record before me, but its presentation would serve no good purpose. Everyone knows that failures some years are more numerous than in others (1923 was very bad); also that this situation has been allowed to drag on, in spite of possibilities of avoidance of such misfortunes. These could be and should be put into effect.

These questions naturally arise: (1) What are the members of the various New York Stock Exchange firms doing to prevent the possibility of failures? (2) What steps are being taken by the New York Stock Exchange to prevent member firms from failing?

So far as the members of the firms are concerned, it is evident from this recent failure that all the precautions which might surround the handling of cash and securities are not followed by all of the firms. We realize that in the majority of cases, the utmost care is exercised in every step involved. This should be true of every firm. The fact that a single member of any firm has the taking out and putting away of the safe deposit box containing the firm's and its customers' securities and that access thereto may be had at times and under conditions that are questionable, appears to indicate that all the doors of the barn are not securely locked. Many firms keep in a separate box or boxes customers' securities left with them in custody. These are not as a whole examined every day. If such were the case, a defalcation in this quarter would be discovered promptly.

> ***THE recent failure of one of the oldest and most respected members of the New York Stock Exchange with resultant losses to the firm's customers clearly establishes the fact that the Exchange has arrived at a point where it can no longer refuse to accept its collective responsibility for the financial condition of its members. As stated in this article: ". . . the public is called upon to assume enough risks in Wall Street without being subjected to the danger of defalcation of a Stock Exchange partner. When a firm puts itself in a position where great quantities of securities can be stolen over a considerable period of time without knowledge of its other partners, it proves that something is radically wrong with the way business is done in some Wall Street houses."***

The practice of depending on one man for this important protective work, or even placing him in a position where his acts are not properly supervised, even though he be a member of the firm, reflects seriously upon the other partners of any firm where a failure occurs from this cause. It means that all possible precautions are not being taken. Two, or preferably three, members of every firm should count the securities daily. The safe deposit box should be taken out and replaced by these two or three men, their simultaneous presence being necessary at the vault.

Each member of a New York Stock Exchange firm, as well as all of its employees who handle its money and securities, should be placed under heavy bonds. Surety bonds are, first, a guaranty of the person to whom they are issued as to character justifying a position of trust; furthermore, they are in addition to the indemnity feature, a deterring factor in contemplated wrongdoing; the bonded person well knows that the surety company will leave no stone unturned to bring him to justice in case he commits a felonious act.

Every New York Stock Exchange firm should have its books and its securities checked by independent auditors at least once a month. Twice a year is not enough The position of all customers' accounts;

securities on hand; balances in banks; securities in collateral and stock loans, should all be gone over and certified to. Monthly statements should be sent to clients by the auditors and written acknowledgements of their correctness should be returned directly to the auditors. These practices are in vogue in the majority of banks. Brokerage houses are custodians of cash and securities. Why should those in the brokerage business assume that they and their employees are any more trustworthy than officers and employees of banking institutions? Both kinds of people are merely human. They may begin their business careers with the highest qualifications as to character and integrity. They may come of wealthy families; enjoy high standing in the community; but that is no proof that their characters or their circumstances will not change. Hence, it is of the utmost importance that every possible precaution be taken.

> ***If the French Bourse can protect the individual client from losses incidental to the failure of any of its members, there is no reason why the New York Stock Exchange cannot do likewise. In self-interest, if for nothing else, the New York Stock Exchange should provide practical measures of protection to the investor so that he may never again be placed in a position to incur losses arising from the failure of any of its members. Postponement of such action must inevitably result in a large loss of business to the Stock Exchange itself.***

Years ago it was regarded as sufficient if a locomotive blew a whistle when approaching a crossing. Later it became the custom to station flagmen. After a while, protective gates were installed. Nowadays nothing but the elimination of grade crossings carries with it a guaranty of absolute safety.

The New York Stock Exchange is still blowing the whistle.

When the New York Central used to run steam trains under Park Avenue, engineers took their chances when the tunnels were filled with smoke, fumes and steam. They frequently had to drive on through at forty or fifty miles an hour without being able to see more than a short distance ahead. Every few years an appalling accident occurred. Nowadays the New York subway systems carry hundreds of millions of passengers every year without the loss of a single life. That's the way to run a railroad. That's the way New York Stock Exchange firms should be run, and that's the way the New York Stock Exchange should see that its firms' businesses are run. Anything less than this is giving the public less than that to which it is entitled.

The Lord knows the public is called upon to assume enough risks in Wall Street without being subjected to the danger of defalcation of a Stock Exchange partner. When a firm puts itself in a position where great quantities of securities can be stolen over a considerable period of time without knowledge of its other partners, it proves that something is radically wrong with the way business is done in some Wall Street houses.

Next we come to the question as to what the New York Stock Exchange itself can do to prevent these unfortunate failures. Five years ago we suggested three plans for providing the necessary insurance in favor of clients of Stock Exchange houses against losses through failures. These included the raising of a fund to be increased continually by an addition to the clearing-house fee now paid by members on each share cleared, or a tax of so much per share on the amount of stock bought and sold. Second, that indemnity bonds be obtained from Lloyds and other surety companies, thus making it necessary for Stock Exchange members to pay the premiums only and avoiding the accumulation of a large fund. Our third suggestion was an assessment of members whenever a failure occurred.

Considerable sentiment arose in favor of some such plan as would satisfy the needs of both the public and the members, and a committee was finally appointed to consider the matter. A year's investigation produced a decision against any form of insurance on the ground that it would be an injustice to the larger, wealthier and more strongly established firms which had built up their reputations over a long term of years, to call upon them to furnish the necessary funds or revenues with which to place the smaller, younger and comparatively weaker firms on a plane with the former so far as indemnity against failure was concerned. There may have been other collateral or underlying reasons which were not published, but the above was the main reason.

It seems to us that such a conclusion was possibly sufficient for the rejection of certain plans of insurance, but it was not such as fully and finally to dispose of the whole subject. If the Dawes Committee had come back from Germany with the report that, while there was plenty of property which Germany could mortgage, all plans had been rejected because it would be unfair to all the German industrial magnates to place the small manufacturers on the basis where they too could do business—if that were the Dawes report, then Europe would still be headed toward chaos.

When the New York Stock Exchange really makes up its mind that the public is entitled to a monetary guaranty against losses through failures, a right solution can be found; and we suggest that whether General Dawes becomes Vice-President or not that he be called in for consultation in case the Stock Exchange itself cannot agree upon a workable plan. This is just as important to the Stock Exchange as the consummation of the Dawes plan was important to Europe.

By way of suggestion: Why not raise the commission rate $2.50 a hundred shares and apply this additional charge to the creation of an indemnity fund? This to be used in making good losses resulting from failures, after the failed firms liquidated them to the limit of their ability, including private resources of partners. This would raise a fund of somewhere in the neighborhood of $15,000,000 the first year. After that, if the surcharge were reduced to $1.25, the second year would produce $7,500,000, or $22,500,000 for the two years. If no liability were incurred to reduce this fund during the two years, the extra charge could be discontinued and the income from the $22,500,000 invested at 6% would yield $1,350,000 per annum. Some such plan as this is entirely feasible and the public would undoubtedly be willing to defray the extremely small cost involved. As in all insurance propositions, it is the insured or the beneficiaries who pay the premiums.

How the Paris Bourse Has Solved this Problem

Are the French financiers so much more clever? Let us see how the Paris Bourse has overcome this same difficulty. In the library of the New York Stock Exchange there is a pamphlet entitled

"The Paris Bourse and French Finance, by William Parker, Ph.D., of Columbia University."

We quote the following extracts:

Page 61. The Agents de Change are

more than a mere association of stock brokers who buy and sell on commission. Their organization is a closeknit and responsible one that guarantees to buyers a bona fide character of securities on its official list, and guarantees to its givers of orders (as they are called) that all sums or securities due them from any broker shall be rendered even in case of the delinquency of the broker. The third undertaking of this unique organization is to guarantee to those who lend money on securities through the medium of its members, full repayment of all such sums regardless of the security on which the loan is made or the individual speculator or investor to whom it is made or the Agent de Change who handles it.

Page 28. The two most important provisions bearing on the Parquet-Coulisse machinery are, first, the solidarity of the Agents de Change, whereby all members are held responsible for the liabilities of one toward both givers of orders and lenders of money, a unique feature described later in connection with credit facilities of the Bourse; and second, the rigidly enforced rule that under no circumstances may an official broker buy or sell securities for his own account.

Page 31. It is the principle of "solidarité" which imposes upon the members collectively responsibility for the derelictions of each that causes the official broker to be so careful both as to his clients who are often carried uncovered for heavy amounts and as to his associates who have such power to involve him in their downfall. For this reason power is given the Syndical Chamber to examine members' books at any time and to bring pressure to bear on those members who overextend their credit.

Page 65. When an Agent de Change fails he leaves the Parquet forever a ruined man. The Syndical Chamber steps into his place, calls for a report from each broker who has dealt with him and then proceeds to sell him out, undoing by counter operations all his open transactions, thus releasing each broker from settling with him, and charging the losses or crediting the gains to his assets, leaving his now uncovered colleagues to find a solvent counter party to take the bankrupt's place.

The customers are given their choice of liquidating or maintaining their position with the bankrupt according to their interests, until a given time, when those owing pay up and those having credit balances receive the full amount of their principal regardless of the state of assets of the bankrupt office.

A broker is required to participate personally to the extent of at least one-fourth in the purchase of his seat and in the deposit of a guarantee fund of $50,000 with the Government, this two-fourths totaling some $72,500 (estimating the price of a seat at some $240,000). A working capital of some $80,000 additional is necessary. It is apparent, therefore, that the broker must be of considerable financial responsibility.

The amount of capital required has become so large that it has been customary for some time for an Agent to associate with himself "silent partners" who supply the sum that he lacks and share proportionately in the profits and losses. This capital is, of course, also available to creditors. If that capital is exhausted, resort can be had to his share of the reserve of the Compagnie Bank. If even this should not prove sufficient, then the combined resources of the other members of the Parquet can be requisitioned, provided the obligations of the broker are not illegal. (Case cited as exception: Broker who had secretly guaranteed a fixed rate of interest regardless of market rate.) . . . *This collective responsibility is far-reaching and amounts even in normal times to a huge sum.*

This joint liability was made obligatory by law of 1898. It means that in case of a sudden and extensive rise in prices and the subsequent default of the share sellers, or what is more often the case, a sharp and unexpected drop followed by the failure of numerous speculators for a rise, the entire Parquet would be held liable for the unpaid credit balances due, in the first case, to the "bulls" and in the second to the "bears" and to the money lenders.

If after total resources of Parquet have been drawn and they are still found insufficient, "the reserve of the Compagnie Bank could be utilized and recourse could be had by common law action to the assets and personal fortunes of the bankrupts."

In 1896 *it was stated by Hayaux du Tilly, in the March Financier, that the public had not lost a sou through a broker's act in seventy-five years.*

Stock Exchange members would probably resent any inference that members of the Paris Bourse are more intelligent, enterprising or conscientious about this question of liability to clients, but they must admit that the Stock Exchange has utterly failed to meet a situation which was anticipated by the French something like a hundred years ago.

Stock Exchange Supervision

We were rather encouraged when, two years ago, the Stock Exchange inaugurated the custom of requiring all member-

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New York's Financial District from the Air

Realty Experts Foresee Possible Reaction in Real Estate Values

Joseph P. Day, John W. Doty and Frank Bailey Take Conservative View of Future

JOSEPH P. DAY

"There has unquestionably been an overproduction of dwelling houses in New York City and neighboring territory."

"THERE has unquestionably been an over-production of dwelling houses in New York City and the neighboring territory. I might say that the same situation generally is true of other large urban centers in the United States."

That is the way **Joseph P. Day** opened his remarks on the question of real-estate values in reply to a representative of THE MAGAZINE OF WALL STREET who had sought his views. Mr. Day is undoubtedly one of the best known figures in the real-estate world of America and probably is the recognized authority on the subject in New York. For many years he has been identified with the building activities of the metropolis and its environs, which have assumed really stupendous proportions. His views on the subject therefore are highly important.

"Real estate values are over the peak. Next year, however, will determine whether or not this is a temporary situation. The trend in the next few months should be closely observed. It may be that the tremendous building activity of the past few years has finally overreached itself in the sense that a good-sized halt will be required. I am now speaking principally of speculative building—apartment houses, and the like.

"So far as the owner of small residences is concerned, particularly those of the cheaper variety, it does not appear that there is cause for worry. Wages and incomes of people in moderate circumstances are still fair and in any event the prospective buyer of a home does not generally place his purchase on a strictly business basis. As he intends to live in his home for a long period, fluctuations in value are, generally, not of concern to him.

"Still speaking generally, I should say that building activities have already reached their peak and that values will probably be affected. There is still a demand for low-priced apartments, particularly those which used to rent at $6 a room per month in the good old days gone by. Today, they are getting $9 a room for the same type, but there are so few available that considerable room exists for expansion along these lines. The more expensive apartments are more or less a drug on the market, in many sections vacancies of as high as 50% occurring. Concessions to prospective tenants are freely given and the balance of power is slowly slipping from the landlord to the tenant.

"It is interesting to note that as a result of the high cost of upkeep and the burden of taxes on wealthy individuals, there is a distinct trend toward letting go of country houses and estates. Some of these are being sold where possible on more or less advantageous terms and others are being shut down to avoid incurring the existing high costs of operation.

"There is an over-supply of small and very large apartments but there is a good market for apartments of medium size, such as six and seven rooms. Probably there has been too much building of apartment houses devoted more or less exclusively to two and three-room affairs.

"So far as the lot situation goes, I do not look for any important change. The amount of land available in New York is more or less restricted and the gradual upbuilding of outlying territories will serve to more or less stabilize conditions in the long run.

"I can only emphasize that next year will be one of unusual interest in the real-estate field. The question will then be determined as to whether the present unsettled conditions will remain indefinitely or prove to be merely an interlude in a period of rising prices. I will not attempt to say what the final outcome will be but it is wise to remember that we have already had four years of tremendous activity in the real-estate world and that a breathing spell would not come as a surprise to well-informed people."

* * *

"THE question of the outlook for real-estate values and rents in the United States, particularly in the East, can be answered only if it is first determined that Europe is finally on the road to recovery."

This rather unexpected answer was made by **John W. Doty**, President of the Foundation Company, in response to a direct question put to him by a member of the editorial staff of this publication.

"You are perhaps surprised that I should link up real-estate values in a place, such as New York and surrounding territories, for example, with what ostensibly seems the remote European situation. Yet the European outlook furnishes the answer not only to the question of what is going to happen to real-estate values but is the answer to the general question of the entire business outlook.

"It is to be recalled that during the past few years, we have invested comparatively little capital abroad. As a result of the wealth generated in this country during the war period and after, a tremendous surplus of investable funds has been built up with a possible outlet in three directions: (1) in business, (2) in securities, and (3) in building.

"Even with business and security needs cared for, there was still a huge surplus ready for investment and which had to be invested if the money was to be permitted to make any earnings whatever. This is the reason why the builders of the country engaged in their stupendous operations of the past few years when it might have been expected that this would be rendered impractical on account of the high cost of labor and the high cost of materials. But the money was there and it had to be invested somehow.

"The building shortage offered a good opportunity for the investment of these funds. In the meantime, there has been a great deal of building throughout the country and, while the population has increased, it is evident that to an appreciable extent the shortage has been over-

Our readers will find the opinions stated here of primary interest and significance, not only because of the commanding importance of Real Estate Values to the country's prosperity, but also because of the prominence of the gentlemen whose views have been obtained.

Joseph P. Day has probably been active in New York real estate for a longer period and on a larger scale than any other man. John W. Doty, as president of the Foundation Co., is in close touch with building and construction throughout the world. Frank Bailey, President of Realty Associates, has long been a leading figure in the mortgage field of the east.

come. Still, this in itself, even combined with the still high cost of labor and materials, would not be sufficient to limit building enterprise or effect an adjustment in values to lower levels. Another factor must be considered.

"As I intimated previously, that factor is to be found in the economic outlook for Europe. Is Europe on the road to recovery and if so can she induce American capital to participate in her recovery? If so, then the answer to the question of real-estate values is at hand.

"The Dawes Plan, in my estimation, offers a suitable foundation for the erection of a new Europe, economically speaking. It offers a foundation for sound currencies where none have existed for a number of years and thereby strengthens the basis for international trade. If American and other business men can be convinced that they have good opportunities for the investment of capital abroad, we may expect to see such capital go abroad to a considerable degree. In this connection, I may call to your attention the undeniable trend toward an increase of foreign financing in this country which seems merely the prelude to financing on a very large scale.

"For the time being, we may consider this country fairly well developed from an industrial and agricultural viewpoint. Of course, we have not at all reached the apex of our industrial or agricultural activity but we have gone a great way toward getting there. In the meantime, Europe has done little in this respect in the past decade and there is consequently plenty of opportunity for the employment of American funds abroad on a favorable profit basis. If American business men think that they will have good chances to employ their surplus more profitably abroad than in this country during the next few years, they are certainly going to do so.

"Then how would this affect real-estate values? Well, it is apparent that if funds on a large scale are taken from our reservoir and employed abroad, we are going to have less funds to invest with than we have today. That will certainly affect values all around, not merely in real estate.

"It is obvious that we are at the beginning of a readjustment period. The United States has been very active, industrially speaking, for a decade. Europe has not. Now, with the Dawes Plan a probable success, Europe is at last placed in a position where she will be able to produce and compete with us in the world markets. For the time being, we shall have to meet that competition, although of course in the long run the natural power of the position of the United States will assert itself and we shall have our accustomed share of prosperity. In the meantime, real-estate ventures are not going to be as profitable as they have been except of course where local conditions compel further building operations. But I am now speaking of the general outlook and not of that applicable to localities affected by special conditions.

"As to whether real estate has reached its peak so far as values are concerned, it is only necessary to repeat the remark that the present high values will hold only as long as the funds necessary to maintain them are available. If, as appears likely, we are to start exporting capital on a large scale, the immediate future does not seem particularly encouraging regarding real-estate values in general from the viewpoint of the quantity of funds available for such transactions.

"Closely observing business men agree that we cannot expect values of any commodity to keep advancing in one continuously ascending scale. We must expect the inevitable dips in the general movement and the fact that the next dip seems at hand should not be construed as an indication that the upward trend is permanently ended. Still, it does seem that real-estate values, generally speaking, will be subject to more or less adverse conditions during the next few years.

* * *

"REVOLT or economic depression is the only solution to the poor man's pressing housing problem, according to **Frank Bailey,** chairman of the board of The Prudence Company and head of Realty Associates, Inc. While Mr. Bailey's connections might apparently indicate that his interests are on the side of capital, the reader will perceive, as he reads Mr. Bailey's remarks, that such is not the case. Mr. Bailey has established a reputation not only as a clear thinker on economic subjects but one who has the cour-

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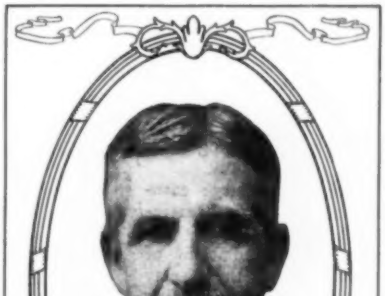
JOHN W. DOTY

"Real estate values, generally speaking, will be subject to more or less adverse conditions in the next few years."



FRANK BAILEY

"I look for a general recession in real estate due to overspeculation."

1924's Biggest Earners

Large Number of Companies Which Are Earning Over $20 a Share—Status of Thirty Important Issues

By ROBERT E. STANLAWS

THIS remarkable analysis gives a clear and forceful idea of actual conditions as they have affected and are affecting leading industries. Of special interest is the accompanying tabulation which lists most of the companies which have earned the largest amounts thus far and which are likely to earn the largest amounts for the full year. The estimates given for the full year's earnings will probably meet with lively interest, but in the nature of things they should be considered as tentative, though based on, in most cases, the actual earnings of the first six months of the current year. In any case, they offer a good study in comparative values.

IN a year marked by so many confusing cross-currents and uncertainties as the present one, it might be supposed that the companies representing our various industries would generally show indifferent earnings, at least insofar as such earnings may compare with the high standards set during the broad industrial up-swing of 1923. A little research will, however, demonstrate that such an assumption is not warranted by the facts; indeed, the number of concerns which, judged by results thus far accomplished, will show exceptionally good net incomes for the year, is astonishingly large.

It is rather too early to estimate definitely net balances which should be available for common stockholders in the majority of cases—it may be that later months will require modification of present forecasts—but the year has progressed sufficiently to allow reasonably sound conclusions to be reached. Making due allowance for the fallibility of current predictions, therefore, it is interesting to observe the results as set forth in the table accompanying this discussion.

Not all the large earners of 1924 have been included in this list by any means. Limitation of space has cut the display to those companies only that should show the very largest profits—many others will do exceptionally well and their performance would be worthy of mention—but the line must be drawn somewhere and, in consequence, none but stars of the first magnitude appear.

In passing, it should be observed that, by virtue of increases in per-share capitalization, either through issuance of stock dividends or by changes in par value of their common stocks, the per-share income of several companies has been cut down and they have, accordingly, been eliminated from the list of eligibles. For example, *Studebaker Corporation's* earnings are probably running at a current rate to show a balance between $6 and $7 a share on the present no par common stock, a figure too low to permit consideration of this company as a candidate for our honor list. On the basis of last year's capitalization of $100 per share, however, indicated earnings would run between $15 and $18. Forced omissions of this kind are exceptional nevertheless and do not materially affect the exhibit.

In fact, the significance of a tabulation of this sort lies not so much in the portrayal of actual figures as in its suggestiveness with respect to the conditions that are responsible for its make-up. A superficial analysis will immediately show that the chain-store stocks are in the forefront, with tobacco, railroad and motor companies well represented.

This is in accordance with the trend of events. The majority of our industries are conducting business on a much smaller margin of net profit this year than last, largely because the shrinkage in volume of demand has accentuated the unfavorable factors which, though they existed in 1923, could be ignored in large measure. With wages still at peak levels, a decline in volume of production has had the effect of unduly increasing operating expense, inasmuch as overhead per unit goods produced begins to swell inversely as output declines. Plant capacities, still war-expanded, cannot be fully employed and competition between the smaller industrial units, lacking the overflow business of more prosperous times, have resorted to extensive price-cutting in order to secure a share of the reduced gross business extant.

By the very nature of their business, the chain-store companies are free from these evils, high costs and low selling prices do not materially cut into their sales and, with the public thoroughly sold on the chain-store idea, these companies continue to break records year after year.

Tobacco, though hardly to be classed as a necessity, has in all essential respects assumed a position as such. The public smokes when times are good because purchasing power is high and surplus funds are freely spent to indulge the desire for tobacco and, when times are not so good, the habit remains and must be satisfied. Like the chain stores, tobacco companies are not greatly influenced by variations in business conditions except when changes are extreme.

The factors that have reduced net income of industrial companies have tended to increase profits of the railroads. Declining commodity prices have cut their operating expenses while the gross volume of traffic offered has held up to levels high enough to allow most of the year's losses to be offset by greater operating economies. In other words, the shrinkage in business has not reached sufficiently large proportions to materially alter the status of the railroads even though it has been great enough to cause a wide variation in other directions.

Although not so conspicuous perhaps, as the classes already mentioned, the public utility stocks are sufficiently prominent to call attention to the prosperous state

(*Please turn to page* 980)

Thirty Companies Which Will Have Large Profits in 1924

COMPANY[1]	In Per Cent per Share — Earnings 1923 Actual	1924 Estimated	Div. Rate	Times Divs. Earned	Recent Market Price	Yield %	REMARKS
Amer. Can	19.64	15–18	5	3.0–3.6	130	3.9	Logical candidate for extra dividends. Stock fairly high.
Am. Radiator	[2]45.45	[2]40–45	[2]16	2.3–2.9	117¾	3.4	Has paid stockholders liberally in past. More stock dividends probable.
Am. Tobacco "A"	[3]14.95	[3]15	[3]12	1.2	164½	7.3	Conditions in tobacco industry stabilized. Consumption increasing.
Assoc. Dry Gds	17.85	15	5	3.0	119	4.2	Earnings justify larger returns to stockholders. Stock high enough.
Atl. Coast Line	18.64	21	7	3.0	133½	5.2	Could easily pay higher rate of dividends.
Ches. & Ohio	12.60	18	4	4.5	85½	4.7	To be merged with N. Y., Chicago & St. Louis R. R.
Con. Gas (Balt.)	26.00	20–24	8	2.5–3.0	140	5.7	Considering stock split-up. Earnings show large growth in recent years.
Cub. Am. Sugar	[4]74.50	[4]50	[4]30	1.7	32⅛	9.4	Recovery in raw sugar market a favorable influence. Attractive issue.
Gen. Electric	18.40	16–18	13	1.2–1.4	263¾	5.1	Benefitting from increasing development of electrical industry. Stock fairly high.
Intl. Bus. Mch.	13.46	15	8	1.9	102¼	7.8	Developing new devices which should increase earnings. Attractive issue.
Ill. Central	13.55	19	7	2.7	109⅝	6.4	Stock established on investment basis. Very attractive.
Kresge, S. S.	38.14	38–40	8	4.8–5.0	425	1.8	Making new sales records. Stock selling on unattractive basis.
Lig. & Myers	[5]23.74	[5]25	[5]12	2.0	64¼	4.7	Same as American Tobacco.
Mack Trucks	8.59	15–18	6	2.5–3.0	100½	6.0	Extensive development of bus business a material aid to company's business.
May Dept. St.	[6]23.24	[6]25	[6]10	2.5	97	5.2	Sales running well ahead of last year.
Nash Motor	28.00	18–20	7	1.8–2.0	140	7.1	Paying extras in addition to regular $7 dividend. Exceptionally capable management.
Natl. Bisc.	[2]20.24	[2]20–22	[2]12	1.6–1.9	76½	3.9	Large equities back of stock. Current return unattractive.
Natl. Lead	17.38	15	8	1.9	156½	5.2	Putting earnings back into properties.
N. Y. Central	16.90	17	7	2.1	108⅝	6.4	Same as Illinois Central.
North Amer.	[4]31.13	[4]30	[4]20	1.5	34	5.9	Increased dividend probable.
Otis Elevator	18.23	[6]18–20	[6]8	2.2–2.5	70½	5.7	Sustained building activity helps. Attractive issue.
Packard Motor	[4]29.68	[4]22–24	12	1.9–2.0	13	9.2	Strong financial position. Net working capital $27.41 millions.
Ry. Steel Spg.	17.75	15	8	1.9	126	6.4	Possibility of stock split-up. Attractive issue.
Reynolds Tob. "B"	[5]26.04	[5]25	[5]12	2.1	76½	3.9	Exceptionally strong in working capital. Products enjoy great public favor.
Underwood Typ.	[2]20.14	[2]16–18	[2]12	1.3–1.5	38	7.9	Business not up to 1923 standard, but doing very well.
United Fruit	23.10	20–22	10	2.0–2.2	208	4.8	Market price evidently discounting more stock dividends.
White Motor	[6]27.86	[6]28–30	[6]8	3.5–3.7	64½	6.2	Same as Mack Trucks. Conservative management.
Willys Over. (Pfd.)	59.11	20–24	—	—	68¾	—	Financial position greatly improved. Should resume preferred dividends soon.
Woolworth	31.84	[2]35	[2]12	2.9	111½	2.7	Same as Kresge.
West. Air Brake	[6]28.23	[6]20	[6]12	1.7	93	6.5	Strong financial position. Conservative management.

[1] Common stock.
[2] Per cent on common stock of $25 par value.
[3] Per share on combined common and common "B" stocks.
[4] Per cent on common stock of $10 par value.
[5] Per cent on combined common and common "B" stocks of $25 par value.
[6] Per cent on common stock of $50 par value.

Coolidge Polls 88% in The Magazine of Wall Street's Straw Vote!

NEARLY 90% for Coolidge!

Close to 9 out of every 10 investors and business men in favor of the present incumbent to succeed himself as 31st President of the United States.

A sufficient preponderance of favorable sentiment to indicate—so far as Straw Votes can indicate—that, if our investors and business men control the outcome, the Republican National Party will sweep to victory on a veritable tidal wave of votes.

Against nearly 90% for Mr. Coolidge, only 10% for Mr. Davis. What does this indicate?

Not, certainly, that our circulation is so preponderatingly Republican. We do not understand that to be the case.

More probably, that a goodly number of the conservative-progressive element such as might support the Democratic candidate on party lines IN A NORMAL YEAR are inclined to ignore party lines this year and throw their support to the Republican Candidate rather than increase the danger of a deadlock and thus enhance the chances of the Radical Element in the House.

Perhaps the strongest evidence of this is the large Coolidge sentiment reflected in the South.

Only about 2% of the total "votes" cast for Robert La Follette.

In the Latin: *DE MORTUIS NIHIL N SI BONUM!*

The foregoing are conclusions which seem to be justified by the results, as tabulated, of The Magazine of Wall Street's Straw Vote for President, announced in these columns on August 30th, last.

Readers of The Magazine are to be thanked for their hearty response in this "Vote." While the total number of votes received represents only a small fraction of our circulation, nevertheless the response, according to established standards in such cases, is admittedly excellent.

Tabulated results, according to Geographic Subdivisions, are shown in the accompanying table.

Comparative Showing of Candidates in The Magazine's Straw Vote

GEOGRAPHIC DIVISIONS*	Total Votes Cast	Coolidge		Davis		La Follette	
		Votes Received	% of Total	Votes Received	% of Total	Votes Received	% of Total
(1) New England States	243	221	91%	19	8%	3	1%
(2) Middle Atlantic "	643	578	90	52	8	13	2
(3) Middle Western "	450	395	89	40	8	15	3
(4) Southern "	167	118	71	44	26	5	3
(5) Southwestern "	65	45	69	13	20	7	11
(6) Western "	93	86	93	4	4	3	3
(7) Possessions	2	2	100	..	..	..	..
TOTAL	1,663	1,445	88%	172	10%	46	2%

* The States included in each of the Geographic Divisions shown are as follows: (1) Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont; (2) New Jersey, New York, Pennsylvania; (3) Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin; (4) Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia; (5) Arizona, Colorado, Oklahoma, Nevada, New Mexico, Texas, Utah; (6) California, Idaho, Montana, Oregon, Washington, Wyoming; (7) Canal Zone, Alaska, Porto Rico.

1925's Weather Forecast Indicates Unusual Business Year

What H. J. Browne Has Accomplished in This Direction Already—His Accurate Forecasts and Their Vital Significance to Investors and Business Men

By Theodore M. Knappen

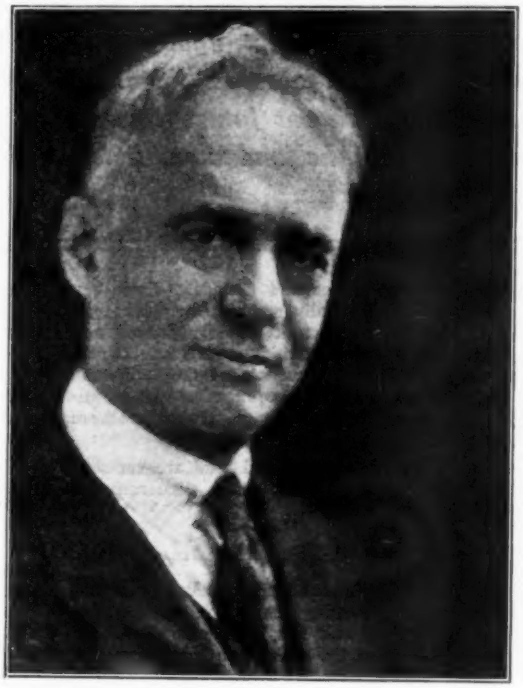
AND now the careful investor has another factor to take into consideration when revising his holdings: The weather.

Not the weather that is past, which directly or indirectly, consciously or unconsciously, has hitherto entered into his operations, but the weather of the *future*.

Not the weather of three or four days hence, but the weather of next month—of next year—of the next two or three years!

Unseasonable weather is the bane of commerce and industry, especially as they are concerned in the production of consumable goods. Unseasonable weather is the primordial curse of agriculture, and exerts its sinister influence upon all things dependent upon agriculture. In fact, almost every human activity is affected favorably or unfavorably, usually the latter, by abnormal weather.

We can hardly expect to change the weather out of doors by any human effort, but what if we can find out what nature has in store for us a year or two or even several years ahead?



FORECASTER EXTRAORDINARY!

Herbert Janvrin Browne, who believes that weather conditions in a given locality can be forecast years in advance, and who has already substantiated his theories by advance forecasts that were 95% correct

Last January Herbert Janvrin Browne, a Washington man who has devoted himself to the study of the weather and meteorology for the last five years, published a forecast of the weather for the United States for the whole of 1924, month by month. Events have 95 per cent confirmed this forecast, which was made on strictly scientific grounds.

Of recent weeks the scouts of the world of industry and commerce have worn a broad trail to Mr. Browne's door. The clothing manufacturer wants to know what the weather is going to be in the summer of 1925 and for all of 1926. The die is already cast for him for the most of 1925, for he has made his commitments. If he had known about Browne last winter, his commitments might have been different, for Browne would have told him that the winter of 1924-25 is to be long and severe.

The sports' magnates want to know about the spring, summer and fall weather of 1925, for rain checks and the like have a way of taking the profits out of their business; and though insurance may prevent loss it does not guarantee profits.

Manufacturers of products whose annual amount is determined by the annual production of vegetal raw material, which of course has a weather factor, are asking Mr. Browne to tell them what are to be the weather conditions for the next two or three years in certain agricultural areas throughout the world.

Governments of agricultural countries, the prosperity of whose people is characteristically determined from year to year by the weather, are anxious to have Mr. Browne tell them, if he can, whether they are going to have good crops next year.

Railroads, whose mileage is chiefly confined to given regions of the United States, would like to know what sort of weather those regions are to have in 1925. Weather is apt to mean red or black ink to them. Think what the weather of several years previous to 1924 did to the Northern Pacific, Great Northern, and St. Paul railways, for instance.

The cattlemen of the western ranges, for whom Browne foretold for this year the best grass and water in twenty years, clamor to know about 1925.

California, shrivelled by the most persistent drought in that region since the beginning of the era of general occupation, already groggy and due to collapse if the drought lasts another year, begs Mr. Browne for a ray of hope. Fortunately, he is able to give it. California, he says, is to be "wet" in 1925.

Mr. Browne will not announce his comprehensive forecast for 1925 before the end of the year, but in general he has stated to The Magazine of Wall Street what in his opinion the weather is to be in 1925:

As a whole, it is to be a year of extremes, to even a greater extent than in 1924. The winter is to come on early, be severe, and depart belatedly. There is likely to be a lack of covering snows in the principal winter wheat region, that is in Kansas, Oklahoma, northern Texas, etc. This suggests the possibility of impairment of the winter wheat crop through winter killing.

Taking the country as a whole, the snowfall will not be heavy next winter, but the region of the lower lakes, east to New England, will have a heavy snow-

A DEVELOPMENT OF UNIVERSAL BUSINESS SIGNIFICANCE

If, as Mr. Browne predicts, it will soon be possible to make accurate forecasts of weather conditions several years before they occur, the development must be of universal significance.

Practically every branch of business is reliant, to some extent, upon the weather, and to be able to foresee shifts and changes years in the distant future cannot fail to remove one of the fundamental risks of industrial enterprise.

fall. During January there will be a heavy blockading snowstorm on the Atlantic coast, and several cold waves will sweep clear to the Gulf of Mexico. The precipitation on the western cattle ranges will be sufficient to insure good pasturage, and the Pacific coast and its mountain ranges will have an abundance of most welcome rains and snows.

The severity of the winter is likely to take the form of a series of cold waves, rather than continued, steady excessive cold. From the standpoint of agriculture this is the most dangerous sort of a winter. It menaces the winter-planted and grown crops of the south and southeast, including tree fruits as well as plants and vegetables, much depending on the precise stage of development at the moment the cold wave strikes. Later in the year there will develop an unusual degree of excessive rainfall in some regions and at some periods, accompanied by excessive dryness in other regions and periods. "Spotted" is the word for rainfall, and also for temperature.

Just as 1925, meteorologically, is to be more abnormal than 1924, so 1926 is to surpass 1925 in eccentricity, with a high degree of probability that the summer of 1926-27 in the Southern Hemisphere, and 1927 in the Northern will be summerless, as was the notorious year of 1816. In that summer there were killing frosts every month in the whole region north of the Potomac. Heavy snow fell in all the northern states June 17 and 19. There was ice on the fourth of July. In parts of Quebec snow lay on the ground until the new snows of winter came. Virtually no crops ripened that year in the northern states and Canada. Even hay did not generally mature. In Quebec all but breeding stock was slaughtered and hay was imported from Ireland. Nothing but the sparseness of the population a hundred years ago, together with plentiful meat, fish, and game avoided a severe famine.

The years 1926 and 1927 are certainly (*sic*) to be exceptionally disastrous for agriculture.

How the Forecasts Are Made

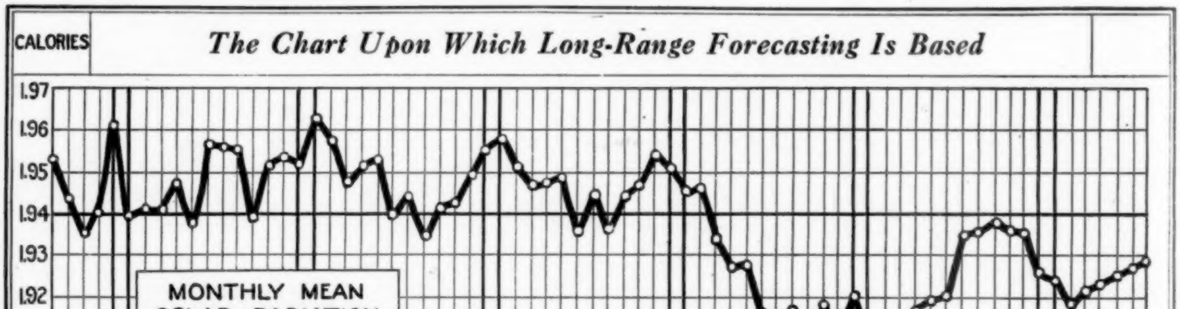
"There is nothing mystical or mysterious about my long-range weather predictions," said Mr. Browne to the writer. "To state the position in the fewest possible words, the theory—now fully substantiated—is that the oceans of the world by reason of their changing temperatures, make the weather variations of the world. The oceans in turn owe the variations of their superficial temperatures to the variations in the transmitted heat of the sun. A period of low sun heat is registered in the cooler water of the oceans several years later, and analogously with a period of high sun heat. From these alternations of the temperature of the oceans—the land masses not absorbing and holding the sun's heat—proceed the changes in ocean currents, winds, cyclones, rains, droughts, hot waves and cold waves.

"Now, from a knowledge of the excess or deficit of heat the sun has supplied to the oceans for past years, checked up by hundreds of actual ocean temperatures being taken daily all over the world, we obtain data from which we can, after tedious calculations, judge of the probabilities as to the general nature of the weather any continent, but especially such a continent as that of North America lying between two great ocean bodies, is likely to have. When our measurements of the sun's radiation are more accurate than they are now and our data of ocean temperatures are more voluminous than at present and the science of oceanography further developed, it may be possible to foretell weather in general terms for as many as five years or more. Beyond a doubt we are now in a position to foretell it in a broad way for two or three years.

"When I say in a broad way, I do not

(*Please turn to page* 978)

The Chart Upon Which Long-Range Forecasting Is Based



The above chart records variations in the sun's heat during the last six years. It is, primarily, because of the great deficit in Heat Radiation since February, 1922, and the consequent cooling of the ocean waters that Mr. Brown predicts abnormal weather in 1925 and disastrous weather in 1926-27.

"Wall Street Full of Furless Quadrupeds" Says Uncle Henry

And They Will Eat Out of Your Hand Only So Long as You Feed Them

By Barnard Powers

9. *In which "Hard Boiled Hobbs" makes some observations in reference to the Wall Street menagerie and shows why you mustn't believe all you hear about financial "killings."*

Lenox, Massachusetts,
September 18, 1924.

Dear nephew:

Your aunt is commencing to hanker for the city again so I expect we will close up Twin Towers around the first of next month and trek back to what O. Henry called "Bagdad-on-the-Subway."

The papers make a great to-do over the fact that "The Wolf" is back in his old Wall Street haunts and up to his old tricks again. But what mystifies me is why they make so much fuss over one little animal when there are so many others of much greater interest and importance in the Wall Street zoo. You have probably discovered before now, that there is a greater variety of furless quadrupeds walking about on their hind legs in the financial district than in any other equal area in the world. In addition to bulls, bears and wolves, there are jackals, and jackasses, sheep, squirrels, foxes, snakes, gophers, eels, peacocks, man-eating tigers, billy-goats and coyotes, not to mention lizards and skunks.

They will eat out of your hand as long as you will feed them, but once the manna runs out and they get you down, you have about as much chance as an apple in a cider press.

According to one enterprising space-writer, "The Wolf" made $2,000,000 by breaking the back of the pool in Colorado Fuel & Iron common. I rather fancy that story gave The Wolf the first real laugh he has enjoyed since he ceased being a non-paying guest of the state of New Jersey. It only goes to show that usually you can discount stories of Wall Street "killings" about 80%. I remember well when I made my first real money in the Street. It was only a little over $9,000 but it looked bigger than nine million. About two days later I met Joe Kieffer on the street and after a few words he said: "Heard you made $40,000 in Corrugated Steel the other day, Hen." Now I doubt if any boy, for I was hardly more than a boy then, would have taken the trouble to correct a report like that. Anyway I didn't, and I have since learned that I was not unique in that respect. I didn't tell any lies then or later, but my attitude was like the golfer who, having won his match 8 and 7, says: "Well, I just managed to muddle through." Before a week was out the gossips had run my $9,000 up to over a $100,000.

Don't be thrown out of your stride because you hear some other fellow has made a lot of money. Maybe he has and then again maybe he hasn't. After all, it isn't so much what you make as what you hold on to. Your aunt sends her love.

Uncle Henry.

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10. *In which some pertinent remarks are made about speculation in German bonds.*

Lenox, Massachusetts,
September 29, 1924.

Dear Tyler:

I hope you followed my advice in reference to speculating in German bonds. If you didn't you are now poorer as well as wiser. Occasionally, some one gets away with something in Wall Street as well as other places by disregarding all the rules of the game but it is only a question of time when the game gets him. As a chap remarked the other day: "The race is not always to the swift nor the battle to the strong but, nevertheless, its a darn good way to bet." The newspapers gave a great deal of space to the ships' doctors and steam fitters who made a fortune in the German bond speculation, but you won't hear much about the bank rolls dropped in the collapse. Newspapers and human nature are that way.

I don't know which way you are going to vote this year but my private opinion is that as far as net results go it won't amount to a tinker's damn who is elected. Coolidge and Davis are both traveling in the same direction along parallel roads and the dangers of La Folletism don't agitate me a bit. It's one thing to talk radical and another thing to be radical. You will remember that when British labor put Ramsay MacDonald in power it was freely prophesied that the props had been knocked out under the British empire and that nothing but stark ruin lay ahead. But somehow or other John Bull seems to be muddling along in the same old way, and if anything, a little better than usual. I sometimes wonder if it is humanly possible to be 100% sincere and still be a successful politician.

Don't forget that your worst enemy is going to have the opportunity to inspect your income-tax return next year. Under the new law it is incumbent upon each tax commissioner to "prepare lists giving the name, post-office address, and the amount of tax paid by each person making an income-tax return. Such lists are to be available for public inspection in the office of the collector of each internal revenue district and in such other places as the commissioner may designate." Doubtless the bond salesmen, insurance solicitors and the like are looking forward to a great year.

I expect that some day we will have Constitutional amendments telling us when to get up and when to go to bed, how much sugar to put in our coffee, the number of cigars to be consumed each day, with perhaps an extra allowance for Sunday, and whether we must marry blondes or brunettes. By and by all we will be free to do is what the other fellow thinks we should do and will enjoy about as much privacy as a weather-vane on a steeple. By that time, I hope I will have gone to the place where the shades of Thomas Jefferson and Sam Adams hang out.

Your affectionate uncle,
Henry B. Hobbs.

Beginners will profit from, and Old Timers will enjoy the sage counsel and pungent wit of "Hard Boiled Hobbs" as revealed in his Letters to His Nephew, published from time to time in these columns.

What the News Means

~ Timely and plain-spoken interpretations of the important financial happenings of the day ~

BUSINESS is marking time awaiting the outcome of the Presidential election now almost at hand. Every indication points to the re-election of Coolidge but business is playing safe. Stocks are low and inventories well in hand. Buying is of a hand-to-mouth character and there is a large volume of demand backed up, awaiting the result on November 4th. The stage is set for a resumption of activity on a considerable scale unless some untoward event throws a monkey wrench into our economic machinery.

OVER the cables comes the news that Great Britain is "sold" on the project of GENERAL ELECTRIFICATION as a means to bring that country to the position of industrial leadership which it once occupied. The thought is to develop a super-power system, such as is gradually being evolved in this country, which will supply light and power to even the smallest industrial centers throughout the country. The chief objective, of course, is to cut down production costs so that British goods can compete in all world markets.

There is no country in the world which has developed the uses of electricity on the scale of the United States. Europe is years behind in that respect but Europe is commencing to wake up. Italy has accomplished marvels in electrification in the last few years with far greater achievements in prospect. Such long-pull developments are of great importance to companies like General Electric, Westinghouse and Allis Chalmers, to say nothing of the copper producing companies. With Germany again a large consumer of copper, the unsatisfactory conditions which have existed in the copper market for upwards of a year, would speedily be changed.

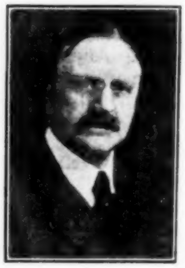
* * * *

LISTING of the preferred and common stock of THE RADIO CORPORATION OF AMERICA on the New York Stock Exchange is significant in that it is the first radio company to take a place on the "Big Board." It means that a great new industry has at length received the formal accolade of the most exclusive financial circle. Other companies will doubtless follow in the steps of the Radio Corporation and in time there doubtless will be the "radio group." The radio industry in its meteoric rise and its incalculable future, has more possibilities of appeal to the average individual than almost any other industry. Its mysterious and unfathomable outlook affords the best possible background for speculative and manipulative operations. So far there has been no widespread "boom" in radio stocks, perhaps for the reason that the industry is comparatively centered and the number of issues few. It would not be surprising, however, to see a radio boom develop as the industry extends and more radio companies are incorporated and listed.

* * * *

PUBLISHED statements to the effect that the 29 deep sand wells completed in the TONKAWA FIELD and that their production plus that from shallower sands, brought the field to a new peak of approximately 112,000 bbls. daily, might seem to indicate that a new gusher field threatens to overwhelm the mid-continent oil producing section. It must be remembered, however, that flush production declines rapidly. The situation in the Tonkawa field, according to reliable oil experts, is such that the decline in the new wells will probably more than offset the production of wells still to be brought in. There are 65 wells drilling for the deep sand, but only about 15 can be brought in within 30 days by which time there should be a considerable falling off in the output of existing wells. In other words, Tonkawa is believed to have reached and passed its peak.

The companies most benefited by the deep sand development are the Comar Oil Co. (owned by Shell Union and Marland, half and half), Pennok Oil, Gypsy Oil Co. (Gulf Oil), Wentz Co. and E. B. Slick (brought in the discovery well.) The Carter Oil Co. and Phillips Petroleum are drilling, but it is yet too soon to forecast the results.



HYLAN CHEERS UP WALL STREET

Mayor Hylan's demand to know if there is not some way whereby the Brooklyn-Manhattan Transit Co. can collect some of the market profits from the manipulators who, he alleges, are responsible for the rise in that company's stock, afforded Wall Street the heartiest laugh it has had in months. Not since Henry Ford aired his views on history and economics several years ago, has the financial district enjoyed itself so much.

* * * *

ANNOUNCEMENT that the Schulte interests control V. VIVAUDOU, INC., through Park & Tilford, is of great significance and was forecast by strength in Vivaudou stock. It means that the affairs of the latter company will now be directed by one of the ablest merchandising organizations in the country and that Vivaudou from now on should move in less troubled waters. The company has always done a fine business but internal dissensions prevented it from making the most of its opportunities. A new page seems likely to be written in the company's affairs.

ANNOUNCEMENT that the INVESTMENT BANKERS ASSOCIATION will spend a quarter of a million dollars next year in advertising, means that a great industry, one which is devoted to the origination and distribution of securities, has seen the need and logic of co-operative effort in delivering its message to the public. It is one of the most progressive moves made in a long time by a class, which in times past, has been criticised for its lack of progressivism. After all, the business of educating the public in the fundamentals of investment properly belongs to those engaged in selling securities to the public. Increasing investment knowledge means increasing investment demand.

* * * *

ONE of the reasons advanced for the strength in AMERICAN CHICLE is the fact that the Woolworth company is an increasingly large distributor of Chicle products. The policy of the Woolworth stores—and there are upwards of 1200—is to make a "drive" each month on some particular product. The company which can sell to Woolworth at a fair margin of profit is assured of a very large and widespread distribution of its manufactures.

* * * *

STATEMENT by one of the largest MOTOR CAR MANUFACTURING COMPANIES, that its production hereafter would be based each month on actual orders received during the preceding month, is an attempt to solve one of the most vexing problems of the motor vehicle industry. The automobile manufacturer is a good deal like the producer of a play or the publisher of a book. He can never be certain in advance whether his latest model will "take" or to what extent, if any. Outside factors, such as weather and business conditions, affect the business powerfully and neither can be projected ahead with 100% accuracy. Dealers last spring, for example, stocked themselves considerably over the subsequent demand, while 1921 was a striking instance of the industry being caught with unwieldly inventories. If there is any way which the industry can be stabilized or rendered more stable, it will be to the advantage of the various companies and their security holders.

* * * *

STUDEBAKER'S new model which can be quickly converted from an open to a closed car, marks another step in the passing of the open automobile. Within a few years, in the opinion of the writer, all cars will be either closed or the convertible type. This is forecast by the fact that now one seldom sees a car with its top down. Manufacturers who sense the trend of public demand, lead in their businesses. The motor manufacturer who succeeds in putting the present cumbersome and troublesome method of shifting gears into the class with the starting crank and non-demountable rim, will sweep his field.

THE EDITORIAL WORM TURNS

That even the life of the editor of America's leading financial publication has its moments (few though they be) of bliss unalloyed, is borne upon us forcefully when we receive a letter like the following:

Wilmington, Del., Sept. 24, 1924.

THE MAGAZINE OF WALL STREET,

Gentlemen:

I buy your WALL STREET MAGAZINE *sometimes. I would like to know how to make one hundred thousand dollars. I saw young Rockefeller's picture in your last issue. Please mail me Mr. Rockefeller's directions.*

Very truly

Dear sir:

Answering your inquiry of September 24th in reference to how to make a hundred thousand dollars would say that there are two methods which suggest themselves to us offhand. One requires a complete set of engraving tools, an eye for art and a deft touch. There is a touch of speculativeness to this method, however, which does not commend itself to our conservative nature, especially in view of the fact that the Treasury Department is very narrow-minded and also the fact that we are married and dislike staying on one place for any extended length of time.

Another method which should appeal to any long-pull investor like yourself, but which lacks the sporting uncertainty of the previous suggestion, is the "interest method." As you know, money put out at 6% interest compounded semi-annually, doubles itself every twelve years, approximately. Now all you have to do is to put out one dollar at six per cent interest and between 190 and 200 years you can step up to the cashier of your bank and drag down your hundred thousand. While we claim to have originated this method we have not copyrighted it but in line with our policy of helping the other fellow, pass it along freely without charge. We have not tried it ourselves as yet, but will gladly do so, on a 50-50 basis, if you will furnish the dollar.

Your second request for directions how to acquire a fortune like that of John D. Rockefeller, Jr., is so easy to answer that it is like taking pennies from a blind man. All you have to do is to use the same careful discrimination which John D. Jr., used in selecting his father. While this advice may come a trifle late in your case, as it did in ours, you can at least pass it on to the prospective, next generation.

Yours truly,
Ye Editor.

Public Utilities

International Tel. & Tel. Corporation

A Future Tel. & Tel.

Unusual Prospects of International Telephone's Stock — Will the Dividend Be Increased?

By JACKSON MARTINDELL

IT is commonly supposed that the International Telephone and Telegraph Corporation was indirectly formed by the American Telephone & Telegraph Co. for the purpose of developing telephone systems in other parts of the world. Those who sponsor this belief, point to the fact that a prominent official was originally loaned to the former company by the latter and is still one of its most active representatives; that the two organizations are joint owners of a submarine cable between Havana and Key West; and that they maintain the most cordial relations.

While the above facts are undoubtedly true, they need not be construed as indicating an actual connection through stock ownership between the two corporations. The American Telephone and Telegraph Co. has frequently declared its intention to confine operations to this country, where there is undoubtedly ample room for development for many years to come. It is probably interested in development of telephone systems abroad only because the universal use of telephones on an extensive scale would have a favorable effect on the entire industry.

Growth of International Telephone's Earnings

Quarter ended	Gross	Net	Earned Per Share	Dividend
March 30, 1922....	$1,049,000	$388,000		
June 30, 1922.....	1,076,000	370,000		
Sept. 30, 1922.....	1,005,000	316,000	$7.35	$6
Dec. 30, 1922.....	1,084,000	263,000		
March 30, 1923....	1,150,000	434,000		
June 30, 1923.....	1,149,000	417,000		
Sept. 30, 1923.....	1,155,000	439,000	$8.40	$6
Dec. 30, 1923.....	1,189,000	396,000		
March 30, 1924....	1,334,000	494,000		
June 30, 1924.....	1,445,000	588,000	$10-11 (est.)	$6

Note: The steady increase in this company's earnings indicates a forward trend of a permanent nature. The company this year will earn its $6 dividend nearly twice over. At current prices of 83, the yield is about 7.2%, which is very satisfactory in view of the outlook.

Well Established

Whatever the connection may be between the two countries, it is clear that International Tel. & Tel. has done extremely well in the few years it has been in existence. The company was organized in 1920, and immediately thereafter acquired a controlling interest in the Cuban Telephone Co. and the Porto Rico Telephone Co. These two organizations were serving practically the entire islands of Cuba and Porto Rico without competition, having been operating over a period of years.

Since 1920, the earnings of the parent company have shown a steady growth. In the first quarter of 1922, gross revenues of approximately one million dollars were reported and in the quarter ending June 30th, last gross had risen to 1.45 million dollars, which is at the rate of a 100 per cent gain every five years. In the same period, net has risen from $388,000 to $588,000.

On the basis of present capitalization, which consists of 174,154 shares of capital stock, earnings were equivalent to $8.40 a share in the past year compared with but $7.35 a share earned in the year previous. In the first six months of 1924, the company earned about $5.60 a share or just a trifle less than the present full year's dividend requirement of $6 a share. It is expected that earnings for the full year will be substantially above $10 a share. It is these large earnings that lead to the belief that the dividend rate is likely to be increased before long.

The Spanish Contract

The International Telephone company has been negotiating for several years with various foreign countries to take over their telephone service, thus a contract was recently consummated with Spain. A new company has been formed there under joint control of International and the Spanish Government. It will operate practically all the government and privately-owned systems in that country, securing part of the necessary capital through Spanish banks and buying most of the necessary equipment from Spanish manufacturers. This is in line with that country's policy of developing its own industries. The telephone system will be along automatic lines.

It is understood that an effort is also being made to interest Italy in such a contract and also several South American countries. Just what success will be attained in this direction it is difficult to say. However, this feature illustrates the extremely progressive policy pursued by the management, and suggests the possibilities of growth and expansion that the company has within its reach.

Recent price movements of the capital stock have not really discounted the marked increase in earnings though the shares are now selling around 83 compared with 66 as a low for the year. The yield is about 7.2% at current price levels.

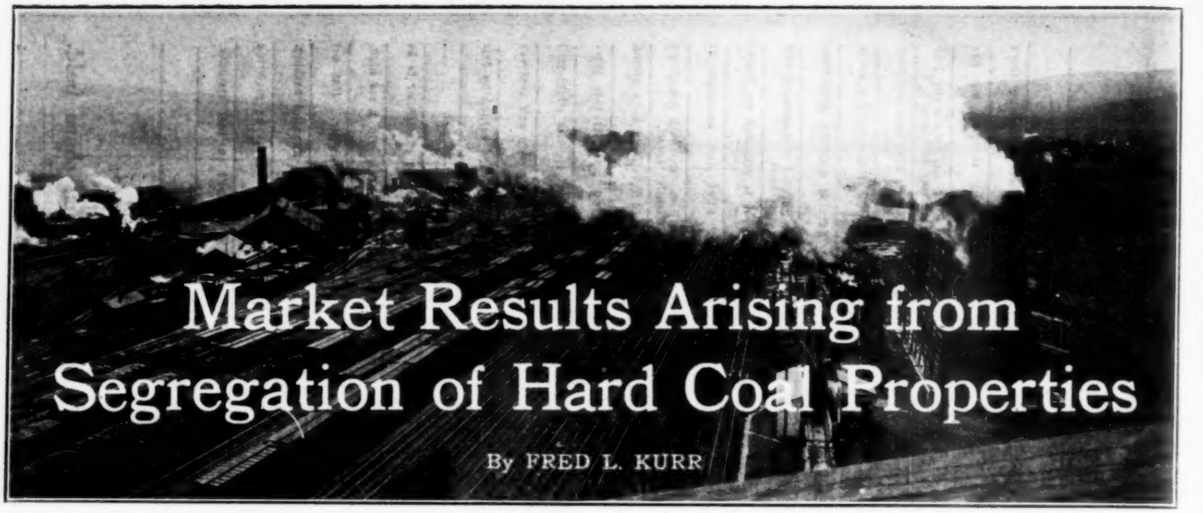
Looking ahead for several years furthermore it may be said that the stock has exceptionally good possibilities. Earnings even at the present are large enough to warrant an increase in the dividend rate. European operations will undoubtedly increase profits without requiring a proportionate increase in capitalization. The company is by no means merely in the development stage even though it is still expanding rapidly.

The stock is entitled to a considerable degree of investment merit and should eventually be another stock issue comparable as an investment to American Telephone and Telegraph.

Statistics and Comment on Leading Public Utility Companies Whose Securities Are Traded in on the New York Stock Exchange

COMPANY	Dividends, $ per Share 1921	1922	1923	Present	Recent Price	% Yield	H. 1922	L. 1922	H. 1923	L. 1923	H. 1924	L. 1924	REMARKS
American Water Works	..	..	..	..	124	..	33	6	44	27	125	40	Large earnings but not large enough to justify price of stock. Evidently there has been "buying for control" in the issue.
American Tel. & Tel.	8.50	9	9	9	127	7.1	128	114	128	119	130	121	A high grade stock investment offering liberal return. Company has unusually stable earning record and bright prospects.
Brooklyn Edison	8	8	8	8	116	6.9	124	100	121	104	117	107	One of the strongest companies in the industry. Stock has twenty-one year unbroken dividend record at present rate. Large current earnings.
Brooklyn Union Gas	..	4	8	*4	78	5.1	124	70	128	103	*78	*56	Earnings on the increase but recent market rise appears to have been overdone. Holder should switch into Brooklyn Edison, two shares for one.
Consolidated Gas (N. Y.)	7	7.50	†5	†5	73	6.8	†62	†57	†69	56	74	60	Still quoted low enough to be attractive for long pull. Has enjoyed a fairly high investment over a long period of years.
Con. G. E. L. & P. (Balt.)	8	8	8	8	139	5.9	120	113	118	106	142	129	An excellent public utility stock investment. Earning dividend more than twice over.
Detroit Edison	8	8	8	8	108	7.4	118	100	111	100	110	102	Dividends paid at $8 rate since 1915. Has unusually good management, and serves a prosperous territory. Another good long-pull issue.
Fifth Ave. Bus	..	..	64c	64c	11	5.8	10	8	10	8	13	9	Holders of this security have been offered the right to exchange for Omnibus Corp. securities. Should not accept.
Columbia G. & E.	6	6	‡2.45	‡2.60	42	6.2	114	‡64	‡37	‡30	44	33	Company has a record of unretarded growth. Stock does not seem as attractive, however, as several other utility issues.
Interboro Rapid Transit	..	..	..	..	26	..	32	17	22	9	39	12	A volatile stock that may or may not have possibilities. Company has shown remarkable increase in earnings but has many difficulties ahead.
International Tel. & Tel.	6	6	6	6	83	7.2	..	..	71	64	86	66	Made a splendid showing in past two years. Should eventually be a second American Telephone.
Laclede Gas	..	5.25	7	7	99	7.1	94	43	89	75	99	79	Earned $15 a share in 1923 and has equally good prospects this year. Should sell higher.
Montana Power	3	3	3.75	4	68	5.8	76	63	75	54	71	61	Stock offers small current return and earnings not large. Holders might well switch to Am. Tel. & Tel., two for one.
North American	§1.65	4.50	7.50	§2.40	34	7.0	106	§44	§24	§17	35	22	A company that should repeat its record of remarkable growth and continue to pay liberal returns.
Pacific Gas & Electric	6	6.50	7.50	8	97	8.2	91	62	94	73	98	90	Offers good return with reasonable degree of safety. Dividend earned by fair margin.
Peoples Gas	..	5	6	7	104	6.7	99	59	98	86	104	92	Holders should switch into Laclede Gas.
Philadelphia Co.	3	3	3.50	4	51	7.8	45	31	50	41	53	42	A dependable stock issue that offers a good return. Nothing spectacular to be expected.
Public Service (N. J.)	4	6.50	4	4	60	6.6	100	66	51	41	60	39	Company has recently made important financial connections. Stock too high, however, at current prices
Standard Gas & Electric	..	..	1.25	3	38	7.9	21	15	30	19	38	31	Not as attractive as North American, although selling higher. Has not demonstrated anything out of the ordinary.
Utah Securities	..	..	..	..	34	..	23	9	24	14	37	16	Poor earnings record but good management and excellent financial backing. Will eventually be a good dividend payer.
Brooklyn-Man. Transit	..	..	..	..	24	..	..	..	18	9	29	13	This stock is highly speculative, but has possibilities. Is to be preferred to Interboro Rapid Transit.
West Penn Co.	..	..	2	4	91	4.4	36	18	41	41	98	47	A subsidiary of American Water Works. See remarks on that company. Overrated.
Market St. Railway	..	..	..	..	8	..	11	3	16	7	13	6	An out-and-out gamble. Not recommended.

* Exchanged two shares for one in Jan. 1924.
† Two new shares issued for one old in Nov. 1922.
‡ New shares issued at the rate of three for one in 1923.
§ In August, 1921, holders of old common received new stock, one share of preferred and one share of common for each share held. In 1923, shares split up five for one.



Market Results Arising from Segregation of Hard Coal Properties

By FRED L. KURR

AS far back as 1909, the impelling force that subsequently separated the railroads from many of their valuable coal properties was brought into being by the notable decision of the U. S. Supreme Court in the Commodities Cases. "Let it be conceded at once" the Supreme Court ruled "that the power to regulate commerce possessed by Congress is in the nature of things ever enduring, and therefore the right to exert it today, tomorrow and at all times in its plenitude must remain free from restrictions and limitations arising or asserted to arise by State Laws, whether enacted before or after Congress has chosen to exert and apply its lawful power to regulate."

The technical phases of this decision need not be analyzed, for while there were several loopholes which might have enabled the railroads, at least in some instances, to retain control of their coal properties the sentiments expressed in the paragraph quoted and in other parts of the decision were such that railroad managements decided against entering long legal controversies and have complied readily enough with the Government's demands.

Until a few years ago a very large percentage of all the hard coal-producing properties in the country were owned by various railroad systems, but many of these large properties have since been segregated and are operating independently. Thus, the Reading system has divorced its coal properties which are now operated by the Philadelphia & Reading Coal & Iron Company; Delaware, Lackawanna & Western's valuable Glen Alden coal property is no longer under its control; Lehigh Valley has disposed of the Lehigh Valley Coal Company, and, finally, the Jersey Central is separated from the Lehigh & Wilkes Barre Coal Company.

Two important systems that still retain their coal interests are the Erie R. R. with its subsidiary, the Pennsylvania Coal Company and the Delaware & Hudson with its controlled Hudson Coal Company. While Lehigh Valley has disposed of the Lehigh Valley Coal Company, it still controls an important coal property through ownership of all the stock of Coxe Bros. This property must be disposed of by February 1st, 1926, although the manner of its disposition has not yet been decided.

THE segregation of hard-coal properties from the parent railroad owners has been accompanied by an unusual degree of stock market interest. How separation of these properties has affected and is likely to affect the securities involved is analyzed in detail in this article.

In studying the effect on security values in the case of the companies that have already segregated their coal properties, it is noted that in every instance substantial benefits have been derived therefrom by stockholders. Lackawanna stockholders, for example, in 1921 were offered the right to subscribe at $5 a share for Glen Alden Coal Company stock on the basis of one share for each share of the railway company's stock held. Glen Alden stock, now selling around 125, shows a profit of 120 points to Lackawanna stockholders who exercised their rights and retained the coal company's stock. Moreover, Delaware, Lackawanna & Western Rwy. stock has not suffered in market price. Taking into consideration the 100% stock dividend paid in 1921, the stock is actually selling many points above the prices prevailing before the coal properties were segregated.

In this article, all the securities that are involved in the segregation of hard-coal properties have been carefully considered and the writer will indicate which, in his opinion, offer the best possibilities for profit at current prices. In many instances it will be found that the benefits to be derived have already largely been discounted in the market price, but a few still appear to offer attractive speculative possibilities.

As all indications point to an early completion of the Nickel Plate merger, it is of no particular interest to discuss what effect the separation of the Pennsylvania Coal Company from the Erie R. R. would have on the stocks of the latter road. Once the Nickel Plate merger is effected, any benefit derived through the segregation of the Pennsylvania coal properties would accrue to stockholders of the new Nickel Plate.

The Pennsylvania Coal Company and Hillside Coal & Iron Co., both wholly owned by Erie R. R., have shown average earnings over the past ten years of approximately 4.9 million dollars, equivalent to $3.27 a share on the 150 million dollars Nickel Plate common stock that will be outstanding. Earnings in the future, however, may be expected to average considerably greater and these coal properties later on may form the basis of a substantial melon for Nickel Plate common shareholders. **The Nickel Plate common stock is selling on a "when-issued" basis on the New York Curb around 74 and is an attractive speculation.**

1. DELAWARE & HUDSON—HUDSON COAL

Delaware & Hudson coal properties consist of the Hudson Coal Company, The Northern Coal & Iron Company and the Delaware & Hudson coal department. In 1923, these properties mined and sold 8.1 million tons of anthracite. According to classification by the United States Coal Commission the total assets of these properties as of December 31, 1922, were 82.4 million dollars of which 47.1 millions consisted of fixed assets, 17.2 millions in current assets and the balance in outside investments and deferred assets. In its report the Coal Commission places D. & H. stockholders' equity in Hudson Coal interests at 56.8 millions after deducting

all reserves. This amount is equal to $133 a share on D. & H. stock.

No earnings statement is available covering operations in 1923 but, in 1921, the last year of normal operations, net income of the properties was approximately 4 millions. For the ten years ended December 31, 1922, average net income was 2.3 millions, equivalent to $5.60 a share on the 425,000 shares of stock of the Delaware & Hudson. These earnings are after deducting liberal reserves for depreciation and depletion.

In the case of practically all of the hard-coal producers, earnings are now running at a rate well in excess of the average of the past ten years, largely the result of a greater volume of business.

While definite statistics are not available, experts familiar with the Delaware & Hudson coal properties estimate their life on the basis of the present rate of production at over 40 years. Earnings of these properties for many years to come should average over 3 million dollars a year. This is approximately the amount that the D. & H. has drawn from its coal properties on the average for the past three years.

It takes 3.8 million dollars to pay the 9% dividend on D. & H. stock, which rate has been maintained since 1907 without interruption. In 1921, earnings of the coal properties alone were sufficient to more than cover this dividend and it is probable that in 1923 earnings were at least equal to this dividend payment. An examination of the earnings of the railroad property alone over a period of years indicates that under reasonably normal conditions about $4 a share can be earned on the stock exclusive of income from the coal properties.

While it is not likely that the Department of Justice will be able to uncover grounds under which it could force segregation of the D. & H. coal properties in view of the company's contention that it is not engaged in Interstate Commerce as its coal is all sold at the mouth of the mine, the outlook nevertheless strongly favors segregation in the near future. The Government has definitely indicated its desires on this subject and the management of D. & H. is likely to follow the trend of the times and voluntarily formulate some plan for the divorcing of its coal interests.

At present levels of 128 D. & H. stock has by no means fully discounted the possibilities of the segregation of its coal properties. Careful comparison of the D. & H. coal properties with hard-coal properties that have already been segregated indicates that they should have a market value when segregated in excess of the present market price of D. & H. stock. **In the opinion of the writer, Delaware & Hudson common stock offers the best opportunity at the present time to participate in the benefit to be derived by shareholders through the segregation of coal properties. Even should there be no immediate action along these lines D. & H. stock at present levels, returning 7%, is an attractive investment holding.**

2. READING COMPANY—PHILADELPHIA & READING COAL & IRON

The segregation plan of the Reading Company provided for a merger of all the railroad properties with the Reading Company and the formation of a new company known as the Philadelphia &

Market Possibilities of the Hard Coalers—

1. DELAWARE & HUDSON HUDSON COAL

Segregation of the coal and railroad properties is likely to be brought about before long. Recent earnings of the coal properties have alone been sufficient to cover the present dividend of 9% on D. & H. stock. At present price of 128, D. & H. stock yielding 7% has by no means fully discounted the value which may accrue to stockholders through segregation, and offers the most promising speculative possibilities in the hard coal group.

2. READING CO. PHIL. & READING COAL & IRON

Philadelphia & Reading Coal & Iron properties have the longest life of any of the leading anthracite mines. However, the company is a high-cost producer and the stock appears to be selling high enough on the basis of present and prospective earning power.

Reading Company can easily maintain a $4 dividend rate on its stock. The road's ownership of a majority of Jersey Central stock combined with its own strong strategic position, places Reading favorably in regard to merger negotiations which are now in the making.

3. LEHIGH VALLEY R. R. LEHIGH VALLEY COAL COXE BROS.

Lehigh Valley still owns the Coxe Bros. coal properties which must be segregated by February 1st, 1926. If practically the same plan is adopted as in the case of Lehigh Valley Coal, this should mean a melon for Lehigh Valley stockholders of about $10 a share. At present levels of 62, Lehigh Valley stock has rather fully discounted this development.

Lehigh Valley Coal earned $3.70 a share on its stock in 1923 and while earnings can be expected to increase gradually, this issue is not on the bargain counter at present levels of 41.

4. DEL., LACK. & WESTERN GLEN ALDEN

Glen Alden is the lowest cost producer of any of the large anthracite companies. While this company is in the strongest position among the hard coal producers, as it can undersell practically all of its competitors and still make money, the stock has already advanced to so high a level that it is no longer an outstanding opportunity.

Delaware, Lackawanna & Western owns 60 million dollars Glen Alden bonds and it is possible that these will be distributed to shareholders at some time in the future. Earning power of the company, however, is not sufficient to justify higher prices for the stock and its purchase is not advised.

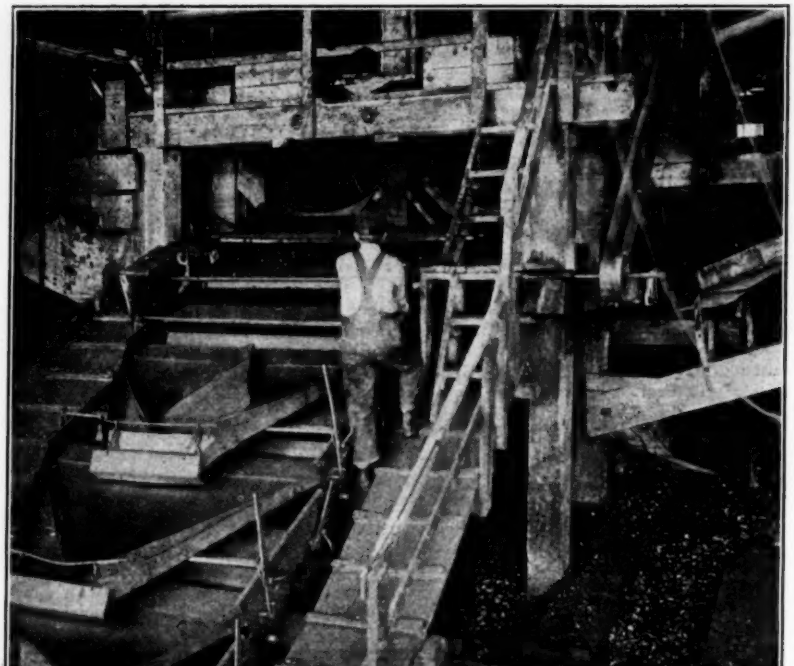
5. JERSEY CENTRAL LEHIGH & WILKES BARRE COAL

The Lehigh & Wilkes-Barre Coal properties were sold to a syndicate and the stock is not as yet available to the public. Jersey Central received a large amount of cash for these properties, but this is being spent for new equipment and improvements and no large cash dividend is anticipated. The company's immensely valuable water front property, however, indicates that Jersey Central stock is worth considerably more than its current market price.

Several large railroad systems are anxious to acquire the Jersey Central, and in case of a merger favorable terms can be anticipated.

6. ERIE—PENNSYLVANIA COAL

When the Nickel Plate merger is put through, any benefits derived from the segregation of the Pennsylvania Coal Company will accrue to the common shareholders of the new Nickel Plate. At some future time this may form the basis of a very substantial melon, as earnings of the coal properties have averaged considerably more than $3 a share on the 150 million dollars Nickel Plate common stock that will be outstanding. This stock, selling on an "when issued" basis on the New York Curb around 74, has very interesting speculative possibilities.



Coal thresher and automatic slate picker in action in one of the anthracite mines

Reading Coal & Iron Company for the purpose of taking over the coal and iron properties of the system. Lack of space forbids going into the particulars of the segregation plan but in a general way the Reading Company with its railroad properties was relieved of about 31 million dollars bond liability and received the use of approximately 27 millions cash and securities paid in by the former subsidiaries.

Common and preferred stockholders of the Reading Company were offered the right to subscribe to the stock of the new Philadelphia & Reading Coal & Iron Company at $4 per share on the basis of one share of the new stock for each two shares of Reading stock held. At present levels of 46 for Philadelphia & Reading Coal & Iron stock, Reading shareholders who exercised their privilege of subscribing and still retain their stock have a profit of approximately $21 a share. **Although Reading Company no longer receives any return from its coal properties, earnings in the current year have been at the rate of over $7 a share on the stock and the present dividend of $4 per share is apparently well protected.**

At present levels of 61 Reading Company stock returns 6.5% and is not unattractive as a long-pull holding. The road is in strong financial position due to the cash received from the segregation, and can well afford to maintain a liberal dividend policy.

Reading's ownership of 53% of Jersey Central stock is a valuable asset and in the event of a merger with some other system Reading common would probably go in at considerably higher prices than those now current.

Philadelphia & Reading Coal & Iron stock is frequently referred to as a promising speculation for the reason that it has the greatest coal reserves of any of the hard-coal companies. Recoverable coal is estimated by experts at 1,900 million tons, which would give the property a life of 190 years on the basis of present output. While this is a favorable factor it is well to realize that it will still be a long time before competition from other hard-coal properties will materially decline. Lehigh Valley Coal, for example, has a life of 98 years, Glen Alden coal 57 years, and few of the important properties are likely to be out of the running for another 30 years at least.

Profits for many years to come, therefore, will largely depend on the volume of output and cost per ton. The volume naturally will depend on public demand which can be expected to consistently increase from year to year. On the question of cost, Philadelphia & Reading Coal & Iron makes a relatively poor showing. In 1923, the company showed only 36 cents per ton profit which compares with $1.48 a ton for Glen Alden and 69 cents a ton for Lehigh Valley Coal. Philadelphia & Reading Coal & Iron Company's mines are located in the Schuylkill Valley where the formation of the coal veins is such that it is necessary to mine at great depth and there are other operating difficulties which tend to increase production costs. The high-cost producer of coal is not in a particularly sound position under present conditions. Coal prices are subject to continual political attack and any increase in price immediately becomes a matter for investigation. While Philadelphia & Reading will probably be able to increase its margin of profit to some extent there is a limit to what can be accomplished along these lines.

In 1923, the company's output totalled 10.2 million tons which compares with 6.1 million tons in 1922 and an average of about 10.5 million in the years 1919-1921, inclusive. Net profits in 1923 were equivalent to $2.90 a share on the 1.4 million shares outstanding. This, however, is after deducting liberally for depreciation and depletion.

The company's capacity production at the present time is in the neighborhood of 15 million tons, the nearest approach to which was 1917 when 12.8 million tons were mined. Capacity production would, of course, enable the company to increase earning power considerably and it is also probable that under independent management, which can dictate its own sales policy, better results will ultimately be obtained than under the old régime. Taking this into consideration, however, an earning power of $5 a share would be a liberal estimate of what the company can be expected to do in the immediate future under favorable general business conditions. **Under the circumstances, the stock at present levels of 46 does not appear entitled to an important advance in price in the near future, though it may have a moderate rise due to speculative influence.**

3. LEHIGH VALLEY R. R.—LEHIGH VALLEY COAL, COXE BROS.

Lehigh Valley stockholders have already greatly benefited through the company's coal interests. Back in 1912, the stockholders were given the privilege of subscribing for the stock of the Lehigh Valley Coal Sales Company and those who exercised their rights obtained an immensely profitable investment. In June, 1924, stockholders were given the right to subscribe to certificates of interest in the Lehigh Valley Coal Company on the basis of one interest certificate for each share of railroad stock held on payment of $1.

Lehigh Valley Coal's production averages between six and seven million tons a year. In 1923, $3.70 a share was earned on the stock and for the five years ended December 31st, 1923, earnings averaged $2.47 a share. While this is a better showing than in the case of Philadelphia & Reading Coal & Iron Company, it does not indicate that the stock is any great bargain at present levels of around 41. Dividends will probably not be inaugurated at a much higher rate than $2 and a $3 rate is the most that can be anticipated for some time to come.

Lehigh Valley R. R. still owns the important anthracite property of Coxe Bros. which is carried on its books at 8.4 million dollars but is estimated to be worth around 13 millions. For the five years 1917 to 1922, earnings of the property have averaged approximately $1.05 a share on Lehigh Valley stock. On the basis of earnings and market price of Lehigh Valley Coal stock, Coxe Bros. is worth about $15 a share on Lehigh Valley R. R. stock.

A conservative estimate is that when Coxe Bros. is disposed of it will mean at least $10 a share to Lehigh Valley stock-

(Please turn to page 966)

Cosden & Co. *Phillips Petroleum*

A Logical Oil Switch

Why the Investor Will Find It to His Advantage to Switch from Cosden to Phillips Petroleum

FOR the sole reason that Phillips Petroleum is making money and paying dividends while Cosden and Company is not, the investor would be justified in switching from Cosden to Phillips, other things being equal. At its present market price, Phillips returns slightly better than 6% while Cosden returns nothing. The only reason that a stockholder would be justified in holding Cosden to the exclusion of Phillips, would be the belief that Cosden's present comparatively weak earning ability and financial status is a temporary matter, or perhaps due to special conditions, and that the prospect is for a strong counter trend. Such, however, does not appear to be the case.

Earnings Contrasted

Since the big year of 1920, when Cosden showed better than $16 a share on its common stock that company has not done so well. In the following year, Cosden was able to show only 18c. a share on its outstanding common after depreciation and depletion. Gross income, which in 1920 totaled $57,639,000, round figures, declined nearly $23,000,000 in 1921, to approximately $35,000,000. Income in 1922 jumped nearly $8,000,000 and the company was able to show $4.25 on the common, but in 1923 income again sagged badly and Cosden reported a profit and loss deficit of $3,783,000.

Nor has any improvement been shown in the current year. For the six months ended June 30 last, the company showed a net of $5,233,172 or practically the same as for the corresponding six months last year. The six months showing is equal to $3.67 on the outstanding common stock but it is figured *before* depreciation, depletion and taxes. With due allowances for these charges and for inventory depreciation, Cosden is earning practically nothing on its junior issue.

Earnings of Phillips Petroleum, on the other hand, have been on the upward trend over the last several years. Both companies have increased their capital structure in that time. Both companies found it necessary to do some financing in 1921. Phillips issued $3,500,000 7½% debenture bonds which were increased by an equal amount of 6% debentures in 1923 ($7,000,000 authorized) while Cosden was able to finance by preferred and common stock. In this respect Cosden had the advantage.

In 1919, Phillips lost money after depreciation and depletion and again in 1921 a small deficit was shown after the deduction of those two items. In 1922, the company showed very satisfactory profits on its outstanding stock and again in 1923, which was a poor oil year, the $2 dividend was earned by a satisfactory margin after ample depreciation and depletion.

The current year to date, notwithstanding that it is not an "oil year," is by far the best the company has experienced. This is evidenced from the fact that net income for the six months ended June 30, last, totaled $6,167,000, round figures, compared with $4,642,000 for the whole of 1923. These figures are *after* depreciation and depletion.

Financial Condition Compared

Comparing the capital structures of the two companies as shown in the tabulation herewith, one perceives that Cosden has approximately $7,000,000 of preferred stock outstanding against Phillips' $10,-

(*Please turn to page* 977)

Essential Features of Cosden and Phillips Contrasted

(As of June 30, 1924)

	COSDEN	PHILLIPS
Funded debt	$........	$10,434,791
Preferred stock outstanding ($100)	6,856,210	....
Common stock, shares outstanding, no par	1,357,402	1,480,533
Cash	655,794	3,600,598
Oil inventories	10,301,733	8,859,201
Current assets	14,719,956	19,553,414
Current liabilities	12,418,321	11,195,757
Working capital	2,301,635	8,357,657
Surplus	*19,027,392	(a)

(a) Company carries capital and surplus in one account which totaled $47,156, 553.

* Before taxes, depreciation and depletion for the six months ended June 30, 1924.

NOTE.—Since the above figures were issued, Phillips Petroleum has sold 370,133 shares of treasury stock to its shareholders at $32 a share, bringing $11,844,000 cash into the company's treasury.

	COSDEN	PHILLIPS
	Earnings on Common	
Year	Dollars per share	
1919	$2.10	$ def.
1920	16.39	2.45
1921	.18	a def.
1922	4.25	a 6.57
1923	def.	3.92
*1924	† 3.67	‡ 4.16

a After allowing for depreciation and development which were provided for in subsequent years.

* Six months ended June 30.

† Before taxes, depreciation and depletion.

‡ After taxes, depreciation and depletion.

Bonds

—A New Series of Articles for Investors—

Practical Points on Security Buying

1.—What the Bond Buyer Must Know to Achieve the Most Satisfactory Results

THIS is the first of a series of three articles on the practical phases of security buying. The present article deals with the purchase of bonds. The other two articles will deal respectively with preferred stocks and common stocks. The treatment is eminently practical and should be suited to the needs of the average investor. We suggest that the tables which accompany these articles be filed by the reader for future reference in connection with his proposed investments in securities.

THE average investor in securities is beset with a multitude of problems many of which can be avoided if he adopts ordinary measures of precaution. It is really remarkable that so many investors will purchase securities without even making the most cursory examination of their position. True, the average investor is not equipped to make a painstaking investigation of the prospects of his proposed investment but there are several broad principles of investment which without undue difficulty he could adopt to his profit. *The first of these is that no investment should ever be made without either investigating its position or, in lieu of that, appealing to a competent person or organization for advice.*

The second is, no investment should ever be made without ascertaining whether it is suitable to the particular needs of the investor in question.

If these two broad principles are adopted, many unnecessary losses will be avoided. With regard to the second principle enunciated, it is apparent that the investor is best in a position to decide the amount of risk he can afford. Each security which he considers buying should be subject to this practical test. The "widow and orphan" will consequently purchase only the highest-grade securities; the business man, with an independent income, will be in a position to take a larger risk, and so on. It is obvious that the value of a security must be determined from the individual investor's viewpoint.

It is, however, the first of these two principles with which this series of articles mainly deals. The general question propounded is: How is the investor to determine the nature and value of a given security?

We have treated this question in three sections: (1) bonds, (2) preferred stocks, and (3) common stocks. The accompanying text deals solely with the bond group. The remainder of the series will be published in subsequent issues.

The most important features in connection with bond buying are given in the accompanying table, but a few general points will not be amiss.

In the first place, the investor must know that a security which is in the bond class is not necessarily an investment. It may and frequently is an extreme speculation. Certain common stocks, among them bank and insurance stocks, for example, may be more desirable holdings than a great many bonds.

A bond therefore may either be a very conservative investment or a gamble. In between are the various gradations. The investor will have to determine in which class is the bond he considers buying. He will then have to determine in which class of bond he should invest.

Such general factors as the record of the company, its history of interest and dividend payments, the outlook for the industry, the financial position of the company and the general market tendency of its securities should be thoroughly understood before the purchase is made. In addition, the investor should have a good idea as to the general trend of the entire bond market and also the general trend of securities which represent the industry in which he may be interested. Some of the more important of these points are analyzed in the next page.

It may appear that the solution of these problems is too much for the average investor. He may neither have the time, training nor inclination to delve deeply into these matters. In that case he must fall back on competent advice. In no circumstances, however, should he make an investment without in some way securing an adequate idea as to its value. Too many losses are incurred in violating this primary principle.

As a group, bonds are more suitable for individuals of small means than stocks. As a group they are more secure, being closer to the property than the junior issues. As indicated above, however, there are many bonds which are not investments in any sense so that the actual position of the bond under consideration must be determined in any case, regardless of its classification.

Aside from the broad question as to the investment or speculative nature of the bond, it should also be determined whether it represents a mortgage, whether there are any senior obligations prior to the bond, whether it is a convertible issue, whether it is callable, etc. These are specific points which must be clearly understood. It should also be known and understood whether a bond is selling at a discount or at a premium, whether it is selling above or under the general price average of that particular group of bonds to which it belongs.

Casting a clear light on the status of a bond also is the outlook for dividends on the preferred and common stocks of the company. Generally speaking, the strongest bonds are those of companies with a good dividend record. It is obvious that a company which is able to pay dividends on its common stock is eminently in a position to pay interest on its bonds.

In the above, we have sketched some of the preliminary qualifications of a bond issue. Each one of them is important and the successful bond buyer will be the one who has thoroughly assimilated the necessity for gathering as much of this type of information about bonds as he possibly can.

What the Bond Buyer Should Know

QUESTION | ANSWER | EXAMPLES: DESIRABLE | UNDESIRABLE

1. How can security back of bond be determined?

Answer: By (a), calculating aggregate market value of all issues junior thereto, (b), making a rough estimate using market value of preferred and common stocks. Method (a) preferable.

Desirable:

Philadelphia Co. 1st Ref. & C. T. 5s, '44.
Amt. Outstanding (in millions) $18.96
Followed by: (Figures in millions)

	Market Value
$10.00 Cv. Deb. 5s, '38 @ 95..........	$9.50
14.56 6% Pfd. ($50 par) @ 45⅝......	13.28
1.44 5% Pfd. ($50 par) @ 38........	1.10
46.44 Com. ($50 par) @ 50...........	46.44

Total current mkt. value.................... $70.32

Market valuation junior issues nearly 4 times face value outstanding 6s, indicating large equities and sound investment position.

Undesirable:

Virginia-Carolina Chemical 1st Mtge. 7s, '44.
Amt. Outstanding (in millions)...............$24.50
Followed by: (Figures in millions)

	Market Value
$12.25 Conv. 7s, '37 @ 31.............	$3.79
21.57 8% Pfd. @ 4....................	0.86
0.28 shs. Common @ 1¼............	0.35
0.07 shs. Common "B" @ ⅝........	0.04

Total current mkt. value..................... $5.04

Market valuation junior securities about ⅕ face value outstanding first mtge. bonds, showing very low equities and speculative position of issue.

2. How can earning power and ability to meet interest charges be determined?

Answer: By (a), investigating dividend records of common and preferred stocks of issuing company, (b), noting number of times interest charges were earned annually over series of good and bad years. Method (a) preferable because data more easily obtainable.

Desirable:

Philadelphia Company's Dividend Record:

Preferred		Common	
1919—6%	1921—6%	1919—6%	1922—6%
1920—6%	1922—6%	1920—6%	1923—7%
1923—6%		1921—6%	1924—8%

Stability of dividends and increase in rate on common in 1923 reveals well developed and growing earning power. Bonds manifestly well protected.

Undesirable:

Virginia-Carolina Chemical Co.'s Div. Record:

Preferred		Common	
1919—8%	1921—4%	1919—6%	1921—1%
1920—8%	1922—0	1920—6%	1922—0
1923—0		1924—0	

Record shows trend of earnings turned sharply downward in 1921 necessitating suspension of *both* preferred and common divs.—a warning to bondholders.

3. What is type of bond?

Answer: From standpoint of security of principal, types rank as follows: first mtge. or prior lien; refunding, consolidated or general mtge.; collateral trust; adjustment mtge., debenture and income bonds.

Examples: Before making choice between bonds of different types, test number 2 should be applied. Earning power is the most reliable yardstick. A debenture bond may be more strongly secured than first mtge.

Desirable: On dividend record shown under question 2, Phila. Co. Conv. Deb. 5s, though not secured by mortgage, are entitled to good investment rating.

Undesirable: Virginia-Carolina Chemical 7s, 1947, by same test, are to be regarded as highly speculative despite fact that they are secured by first mortgage.

4. What is market position of bonds in relation to others of like calibre? Is it high or low?

Answer: Determined entirely by yield which, for ordinary purposes, may be calculated by dividing interest rate by market price.

Examples: Between two bonds that have met tests 1 and 2 equally well, preference should be given to the one offering the higher yield as indicated in the following:

Desirable: Ill. Bell Tel. 1st & Ref. 5s, '56 @ 97½ return 5.20%.

Undesirable: Pennsylvania R. R. Gen. Mtge. 5s, '68 @ 103½ yield but 4.80%.

5. What is position and trend of bond market as whole and what are influences affecting it?

Answer: Charts and figures showing position readily obtainable. Price tendency is determined by trend of money and commodities.

Desirable: When money rates are low, bond prices are high and vice versa. At present, time money is loaning around 3% and high-grade bonds yield about 4½%.

Undesirable: Rising commodity prices foreshadow decline in bond market and vice versa. Present tendency of commodity prices is irregularly upward.

6. How to decide between long and short-term bonds?

Answer: Bonds maturing within next few years are called short term as distinguished from long-term bonds having many years to run.

Examples: For ordinary investment purposes, long-term bonds are preferable. Short-term bonds are desirable for temporary investment of funds, particularly when general bond market is at high level and yield on long-term issues low. Nearby maturity date tends to prevent decline in market price should general bond market turn downward, permitting reinvestment in long-term issues after decline. See following:

Desirable: Colorado & So. Ref. 4½s, '35 @ 89 yield 5.85%.

Undesirable: U. S. Steel 5s, '63 @ 104 yield 4.75%.

7. Is the bond callable?

Answer: May be learned by inquiry through investor's bank or broker.

Examples: Bonds whose market price is above the price at which they are callable, should be avoided.

Desirable: Amer. Water Wks. & El. Coll. Tr. 5s, '34 selling at 91½, are callable at 102½. If redeemed, buyer would realize 11 points profit as compensation for disturbance of his investment.

Undesirable: Northwestern Bell Tel. 1st 7s, '41, selling around 109, are callable at 107½. If redeemed, buyer at current price would lose $15 per $1,000 bond.

8. Does it have active market; is it readily salable?

Answer: An important qualification. To attempt sale of an inactive issue on short notice may mean acceptance of unsatisfactory price.

Desirable: Transactions in U. S. Steel 5s, '63 for week ended Sept. 29 totaled $203,000. Extreme fluctuations in price only ⅜ of point. Bond may readily be bought and sold.

Undesirable: In same week, Gray & Davis 1st Cv. 7s, '32 did not appear at all. Quotations were: 85 bid, 93½ asked—a spread of 8½ points! Holder would experience difficulty in disposing of such an issue.

BOND BUYERS' GUIDE

(Bonds listed in order of preference)

		Apx. Price	Apx. Yield	¶Int. earn'd on entire funded debt
HIGH GRADE (For Income Only)				
Non-Callable Bonds:				
Great Northern Genl. 7s, 1936	(c)	109½	5.95	2.85
Atlantic & Danville 1st 4s, 1948	(a)	78	5.70	....
Indianapolis & Louisville 1st 4s, 1956	(a)	77	5.55	e 1.75
Western Union Telegraph Co. 6½s, 1936	(a)	111	5.25	c 6.85
New York Edison Co. 6½s, 1941	(b)	113	5.30	3.30
Chicago & Northwestern 7s, 1930	(b)	108	5.40	1.80
Delaware & Hudson 7s, 1930	(b)	110	5.20	2.10
New York Dock Co. 4s, 1951	(a)	78	5.60	2.70
Callable Bonds:				
Armour & Co. Real Estate 4½s, 1939	(a)	84	6.15	....
Laclede Gas Light Coll. & Rfd. 5½s, 1953	(c)	94¾	5.90	1.41
Philadelphia Company 6s, 1944	(c)	102½	5.80	3.50
Canadian General Electric deb. 6s, 1942	(a)	107	5.35	g 2.80
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Cuba R. R. 1st 5s, 1952	(a)	83	6.30	2.45
St. L. & S. F. Prior Lien 4s, 1950	(c)	71	6.25	1.25
Western Pacific 1st 5s, 1946	(c)	91	5.70	2.40
New York, Ontario & Western 4s, 1992	(a)	67¼	6.00	2.00
Genesee River R. R. 1st 6s, 1957	(a)	100½	6.00	1.50
Baltimore & Ohio Convertible 4½s, 1933	(b)	89½	6.00	1.35
Baltimore & Ohio Rfd. 5s, 1995	(b)	85½	5.50	1.35
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	86½	5.90	1.10
Boston & New York Air Line 4s, 1955	(a)	67	6.45	....
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	89	5.85	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	102½	6.10	1.50
Rutland R. R. 1st 4½s, 1941	(a)	87	5.70	1.75
Chesapeake & Ohio conv. 5s, 1946	(b)	98½	5.10	1.65
Industrials:				
South Porto Rico 1st Mtg. and Co. 7s, 1941	(b)	102½	6.75	2.20
Sinclair Pipe Line 5s, 1942	(b)	84	6.50	g 2.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	118½	6.25	4.00
California Petroleum Corp. 6½s, 1933	(c)	100	6.50	4.80
International Paper Co. 5s, 1947	(a)	86	6.15	3.50
U. S. Rubber 5s, 1947	(c)	84¼	6.30	2.05
Bethlehem Steel Co. 5s, 1936	(a)	89	6.30	f 2.30
Armour & Co. of Del. 1st 5½s, 1943	(c)	91½	6.25	....
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	98	6.15	g 1.25
Union Bag & Paper Co. 6s, 1942	(b)	93	6.70	f 4.40
Public Utilities:				
Manhattan Railway Cons. 4s, 1990	(a)	62½	6.50	g 0.90
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	91½	6.10	2.40
Ohio Public Service 7s, 1947	(c)	107	6.40	f 2.00
United Fuel Gas 6s, 1936	(b)	98½	6.20	e 2.70
Virginia Railway & Power 5s, 1934	(a)	94½	5.75	2.00
Hudson & Manhattan Refunding 5s, 1957	(c)	87	5.90	2.60
American Gas & Electric 6s, 2014	(c)	95	6.30	2.00
Kansas Gas & Electric 6s, 1952	(b)	98	6.15	1.80
Havana Elec. Ry. Light & Power 5s, 1954	(a)	84½	6.15	5.00
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(c)	90	5.70	c 4.70
Commonwealth Power Corp. 6s, 1947	(c)	97½	6.20	4.50
Dominion Power & Transmission 1st 5s, 1932	(a)	93	6.00	2.10
Manitoba Power Company 7s, 1941	(c)	100	7.00	....
SPECULATIVE (For Income and Profit)				
Railroads:				
Erie Genl. Lien 4s, 1996	(b)	64	6.30	1.31
St. Louis & San Francisco Adj. Mtg. 6s, 1959	(c)	81	7.55	1.25
Wheeling & Lake Erie Cons. 4s, 1949	(a)	72	6.25	1.25
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	64¾	7.90	1.10
Chicago Great Western 1st 4s, 1959	(a)	59	7.20	0.85
Western Maryland 1st Mtg. 4s, 1952	(a)	64½	6.75	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	82¼	6.90	....
Industrials:				
Cuba Cane Sugar 7s, 1930	(c)	95¾	7.90	2.15
Empire Gas & Fuel 7½s, Series "A" 1937	(c)	96½	7.90	3.30
International Mercantile Marine 6s, 1941	(b)	88	7.25	2.50
American Agricultural Chemical Co. 7½s, 1941	(b)	96½	7.95	....
Public Utilities:				
Brooklyn-Manhattan Transit 6s, 1968	(c)	80	7.60	f 1.50
Chicago Railways 1st 5s, 1927	(a)	75½	15.00	1.08
Hudson & Manhattan Adj. Income 5s, 1957	(b)	67½	7.75	2.00
Interboro Rapid Transit 5, 1966	(a)	65	7.80	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	57	7.50	i 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. ¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (aa) 1922. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50. e Average last three years. f Average last two years. g Average last four years. i Does not include interest on adjustment bonds.

BONDS

Best Opportunities in Middle-Grade Issues

FURTHER ease in money rates was reflected to some extent in the bond market. Government loans were higher, but changes in quotations for high-grade investment issues were of a fractional nature. This indicates that present low yields for the best class of issues are not attractive to new investors or those making new commitments, thereby confirming the views previously expressed in these columns as to the market outlook.

The Western Union Telegraph Company 6½s and New York Edison Company 6½s carried in the Bond Buyers' Guide each gained a point, which was more than the average gain in the gilt-edge issues. It was in the middle-grade and semi-speculative sections that activities centered, with a larger price range, as will be noted by examining the Guide. Among the railroads, the Missouri, Kansas & Texas 5s advanced two points, with a similar advancing tendency in the more speculative adjustment mortgage 5s. Baltimore & Ohio refunding 5s and convertible 4½s were well taken at higher prices, and the New York, Ontario & Western refunding 4s reached a new high for the year at 67½. The St. Louis-San Francisco bonds were in demand, both the prior lien issues, and the adjustment and income 6s. Among the speculative issues which distinguished themselves were the New Haven, Seaboard and International & Great Northern adjustment 6s. The Chicago Great Western first 4s and Rock Island, Arkansas & Louisiana 4½s advanced 3 points while the Wheeling & Lake Erie consolidated 4s sold at 72, up 2.

Readers have noticed that we have substituted the Genesee River Railroad 6s for the Erie & Jersey 6s, previously carried in the Guide. We have done so for the reason the latter now sell at 102½, 2 points above the Genesee River issue, which we regard as being of similar grade and, of course, the lower price affords a high return. Both are divisional issues of the Erie Railroad, covering by first mortgage important stretches of road necessary in the economical handling of the Erie Railroad's through traffic.

Public utility issues shook off the lethargy previously exhibited and were generally in demand. The star performer was Brooklyn Union Gas convertible 7s, which sold up to 156. Manhattan Railway consolidated mortgage 4s reached a new high at 63. Virginia Railway & Power 5s and Commonwealth Corporation 6s made good price gains, as did the United Fuel Gas 6s, which had been selling out of line with the market.

Industrials were steady, with the more speculative issues making the best showing. American Agricultural Chemical Company 7½s sold at 97, up 3. Empire Gas & Fuel 7½s appeared well taken on the reaction.

The developments in the market during the past two weeks have been such as to confirm previous advices that the best opportunities are in the well selected middle grade and speculative issues.

Industrials

Arbitraging in Equivalent Securities

A Security Operation Requiring the Utmost Nicety of Judgment

What a Successful Arbitrageur Must Know

By JEFFREY S. GRANGER

COMPARATIVELY little has been written on the subject of arbitrage, although it is one of the most interesting, entrancing and profitable phases of security transactions. A strict definition of arbitrage is the purchasing of certain securities in one market and the selling of the same securities in another market.

This form of arbitrage is perhaps the best known, and the large banking houses maintain staffs of trained men who are constantly righting inconsistencies in the price levels of securities, which have markets in more than one place.

Less well known, however, is a secondary form of arbitrage.

There are numerous cases where, because of reorganization or change in the policy of a company, or other reasons, an opportunity is given to security holders to exchange their holdings for other issues, different in form or amount. If one would purchase the old issues, sell the new obligations to which the old ones are entitled (as soon as the exchange becomes effective), deliver the latter against the sale and be paid therefor, it is obvious that one would have disposed of the original purchase.

Many times a profit results, and, for want of a better term, such a transaction is also designated arbitrage. For the success of any such arbitrage (as for that matter in the case of any other venture), the prime requisites are (1) experience, and (2) sufficient capital. The securities to be bought must be carried until the new securities are ready for delivery. Meanwhile, these new securities are generally traded in on a "When, As, and If Issued" basis on the New York Stock Exchange, the New York Curb Market, or "*over-the-counter*," so as to afford a market for them without waiting until the time when the usual preliminaries have been adjusted.

THE operation known as arbitraging in securities is one of the most intricate and consequently least understood of the various types of security transactions. Yet it may be one of the most interesting and profitable to those who are in a position to give the subject the necessary amount of study. The author of this article has delved profoundly into the intricacies of arbitraging and what he has to say is of keen interest to those who delight in the finer points of investment.

The most successful arbitrages of this nature spring generally from the reorganization of railway corporations. The assets of any corporation to a large extent consist of *property*, the value of which is dependent upon the continued existence of the corporation. Thus, a corporation, owning a factory for the manufacture of biscuits has a building peculiarly built with reference to just this kind of manufacture. It is equipped with expensive machinery only adapted for the manufacture of biscuits, and its interior arrangements have all been planned and established to expedite such manufacture.

Assuming, then, that such a factory would have to be sold, it would have a value anywhere near the cost of its reproduction only for someone in a similar line of business. If such a sale were a forced one, even less could be realized, for to change a factory to manufacture a different product would cost almost as much as to build a new one, and to find persons other than the parties operating the factory to purchase the same for biscuit manufacture would be very difficult and many times impossible.

Another asset of considerable value is *good will,* which from its very nature is only applicable to a going concern. Such an asset is only of value if the corporation is kept in business. The assets of any business subject to forced sale would be sadly dissipated if the sale were consummated without regarding these values.

Corporations which have assets of this nature sometimes run themselves into the ground because of bad management, poor business conditions either generally or in their particular industry; or there may be many other causes. Would it not be outrageous, if stockholders or bondholders because of forced sale should lose a share in assets only realizable because of their value in connection with a going concern? How are such values to be preserved?

The company, let us assume, is bankrupt, and its creditors have the right to have the assets impounded and sold to satisfy their claims. The laws, however, have shaped themselves to meet such a condition, and the courts taking jurisdiction through their equity branch conserve these assets until the security holders acting through committees can arrange to reorganize the corporation, supply it with money, and give it a new lease of life.

These intangible assets which can only be preserved through maintaining the concern in business, although applicable to every large corporation, are brought out in still bolder relief in railway corporations. The principal asset of a railway is its tracks and right of way upon which its cars run. In this case, the assets are worth practically nothing except to a company which wishes to continue as a railway corporation. For example, the sales value of the rails of a road may be only one-tenth of the cost of laying them. Outside of their use for railway purposes, tracks cost over $40,000 a mile to lay—and the rails for junk or any other purpose would probably fetch

no more than $3,500 a mile of road. Some of our railroads are mortgaged for over $200,000 a mile, and no railroad of importance is mortgaged for less than $25,000. Suppose a railway to be operating at a loss: the only way in which its security holders could realize any of their money would be to continue the road as an operating company, but to eliminate therefrom the causes which contributed to its downfall.

How It Works

In most cases, these causes resolve themselves in over-capitalization; the corporation may be paying too much money in interest, and thus has not been able to put the required money back into maintenance of its equipment and tracks, so that it has become more and more expensive to operate, just like any other broken-down piece of machinery. Painful as it must be, some of the bondholders, according to the relative strength of their security, must give up some of the rights accorded to them by their obligations, and accept securities, which impose upon the corporation a less financial burden.

Whether all must give up something, or whether the security holders having secondary liens are principally affected, depends upon the condition of the corporation and the judgment of the bankers acting in concert with the committees of security holders. As the common and preferred stockholders are partners in the business and not creditors, they must furnish the new money that is necessary for a going concern, and this is done by assessing them so much a share. For this additional money, however, they receive new securities which they hope will increase in value to take care of their increased investment, and, eventually, as conditions get normal, to retrieve their original venture. *The whole process by which the old security holders receive new securities and new money is put in the business, and the corporation once more put on the path towards success is called reorganization, and it is during one of these reorganizations—between the announcement of the plan and the issuing of the new securities—that the arbitrageur holds sway.*

The Function of the Arbitrageur

His work consists of buying the old securities of the corporation and disposing of the new for which such old securities are exchangeable at a profit. To a novice this does not seem feasible, for why should anyone pay more for the new securities than for the old? Many conscious influences cause this situation, but there is this great unconscious one: speculators run away with the enthusiasm of the moment and buy without considering whether or not these securities could be bought cheaper in some other form. There are, however, some careful thinkers who are willing to pay a point or so more for an equivalent security. With the new securities traded in on a "when, as and if issued" basis, they can purchase more securities for the same money, since the operation requires less capital—and if their credit is good, none at all—to purchase securities which are not issued and which only exist in the contract to deliver the same. Then again, by purchasing unissued securities, the investors do not run the risk of the reorganization plan being abandoned, and their holding securities of a bankrupt concern, a risk, which the arbitrageur assumes.

In order for us to familiarize ourselves by actual example with an arbitrage arising from a railway reorganization the basis of which is the purchase of bonds, let us examine the following:

Under a plan and agreement dated March 15th, 1923, it was proposed to reorganize the Brooklyn Rapid Transit Company, and on October 20th, 1923, *New Securities* were issued in place of the old ones.

Holders of Brooklyn Rapid Transit Company Three-year 7% Gold Notes received in new securities:

$1,100 New 6% Bonds,
$ 180 New 6% Preferred Stock and
$ 70 Cash.

The new 6% Bonds were dated July 1st, 1923, and bore interest from that date.

Now, suppose that on April 1st, 1923, an arbitrageur bought $10,000 Brooklyn Rapid Transit Company Three-year 7% Notes at 89⅛. On that date, the new securities were selling at the following prices:

New 6% Bonds................70½
New 6% Preferred Stock.......48¼

The situation then was as in the following table:

It requires only $2,000 to carry $10,000 worth of bonds, so that a profit of $281.67 was realized in 6⅔ months or a return of over 28% upon the money invested.

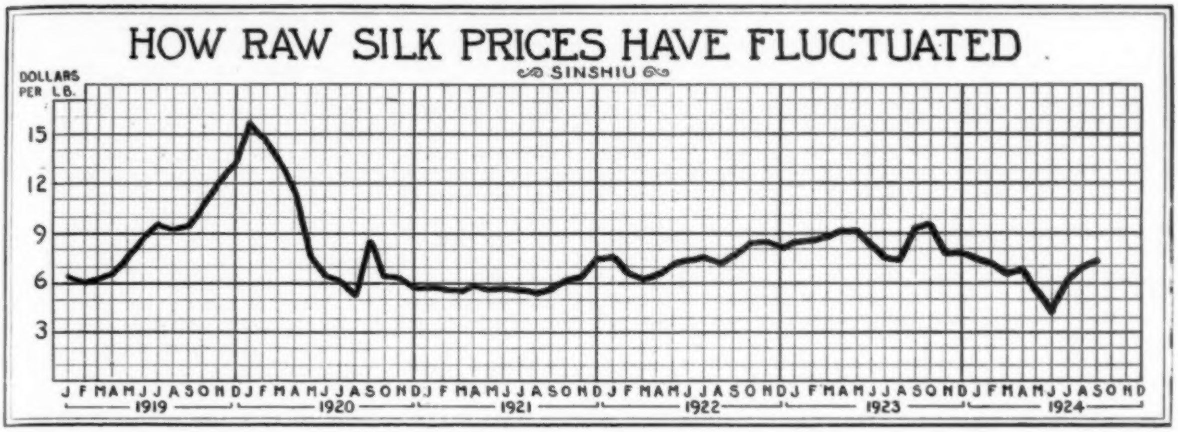
This percentage of profit is not unusual, and there are many instances where the return upon the original investment has been even greater.

Let us now follow through an arbitrage where stock is purchased in a railway which is to be reorganized on which, however, an assessment is levied. Nothing can force a stockholder to pay an assessment, but if he neglects to do so he loses his right to the new securities carrying with them the opportunity of sharing in the future of the reorganized company and a chance to realize his original investment. If the stockholder is willing to pay the assessment, he deposits on or before a certain day his stock in an authorized depository—generally, a trust company—and receives in exchange, warrants which entitle him on completion of the reorganization to receive when issued and ready for delivery the new securities to which the reorganization plan entitles him. The right to make this deposit and receive the new securities passes to any purchaser.

Under a plan and agreement dated November 1st, 1921, under which plan the Missouri, Kansas & Texas Railroad was reorganized, its preferred stockholders were required to pay an assessment of $20 a share. This assessment was payable eight dollars on deposit of the stock, four dollars on May 9th, 1922, four dollars on July 18th, 1922, and the final payment of four dollars became due September 12th, 1922. After paying this assessment the preferred stockholders

(*Please turn to page* 974)

ON HAND:	
$10,000 B. R. T. 7s at 89⅛	$8,912.50
Commission for buying	15.00
Interest at 6% from April 1st to Oct. 20th, 1923	296.80
Total	$9,224.30
SOLD:	
$11,000 new 6% bonds at 70½	$7,755.00
Less Commission for selling	16.50
	$7,738.50
Plus interest on above from July 1st to October 20th, 1923	201.67
	$7,940.17
SOLD:	
18 shares new 6% Preferred Stock at 48¼	868.50
	$8,808.67
Less commission for selling	2.70
	$8,805.97
RECEIVED:	
$70 cash for each old bond	700.00
	$9,505.97
Subtract cost	9,224.30
Net profit on ten bonds	$281.67



Century Ribbon Mills, Inc.
Julius Kayser & Co.

H. R. Mallinson & Co., Inc.
Van Raalte, Inc.

Have Silk Stocks Turned the Corner?

The Four Leaders Compared — Recent Fluctuations in Conditions—What of the Future?

SILK goods, being more of the luxury than the essential type, are subject to material variations in demand, principally because of frequent changes in style which are potent factors in stimulating or retarding consumption. In addition, the raw material market is notorious for its speculative character and manufacturers are, as a rule, helpless to control its tendencies. Between these independently varying influences, it is to be expected that earnings of silk companies would swing to extremes, with stability rather the exception than the rule. Such actually is the case, but in the major portion of the year thus far elapsed, conditions have leaned to the limit of the unfavorable.

In common with textiles generally, demand for silks has been more or less elusive. Buying, when it did appear, was of the now monotonous hand-to-mouth variety; in other words, it tended to run to relatively small volume, the sort that induces low-scale operations and consequent expansion in manufacturing overhead expenses.

As if to accentuate the industry's difficulties which, in respect to conditions in distributive channels, were no different from those of the cotton and woolen goods producers, the raw silk market executed a series of movements poorly designed to appeal to the optimistic side of the manufacturer's nature. After a show of strength during January, the market declined until prices in April had fallen to the lowest levels since August, 1921. A rally in May preceded renewal of the downward movement which, before its completion, carried quotations to $4.50 a pound. Total duration of the entire bear cycle was approximately nine months and for severity—the decline amounted to $6 from the September high to the June, 1924 low—was unequalled by any except the notable collapse of 1920.

Obviously, this slump was conducive to severe inventory losses which the silk companies could ill afford in view of the small profits accruing as a result of restricted demand and low volume of output. At present, quotations for raw silk are ruling around $6.25 a pound and the relative stability of the market is distinctly encouraging. It is evident that the mills are not disposed to follow advances far above this level since conditions in the trade do not justify departure from conservatism.

Underlying influences are, however, favorable to a continuation of the revival which developed during August; the prospect for a relatively stable silk market being one of the most encouraging of these factors, while the prevailing cost of the commodity should permit restoration of reasonable profit margins.

The sharp curtailment of production during the past eight months was, in itself, a strong corrective influence, causing gradual liquidation of stocks of finished goods despite uneven and unsatisfactory demand. In fact, many producers were caught with reserve stocks inadequate to meet the recently rising tide of orders. A sound foundation, on which to base moderately higher prices and increased production, thus exists.

The silk stocks, as a group, have lately shown decided stability marketwise although most of these issues are still selling close to the lowest prices attained in the process of discounting the early year uncertainties. Outlook for the more active, leading issues is detailed in the following analyses:

CENTURY RIBBON MILLS, INC.

THIS company was organized in its present corporate form to succeed the firm of Ernest & Herman Levy which had been in the business of manufacturing silk and fabric ribbons for approximately 44 years, being among the largest concerns of its kind in this country. In 1922, the year in which the present concern was organized, it expanded its activities by going into the business of factor and commission merchant, distributing silk, cotton and woolen fabrics produced by other manufacturers.

The products of its own mills, eight in number (six of which are owned in fee and situated in Pennsylvania and two of which, one in Paterson, N. J., and the other in New York City, are leased), are sold principally to department and retail stores under such trade names as "Century," "Lumino," and "Pocono." The

company also sells to manufacturers of women's millinery and clothing.

By virtue of the fact that approximately 80% of its output is composed of the plain staple grades of ribbon, the company is more favorably situated than other silk manufacturers. This type of business tends to give a considerable degree of stability to earnings. In the five-year period 1919-1923, gross sales have averaged 5.18 million dollars fluctuating between a high of 5.68 millions in 1920 and a low of 4.32 millions in 1922.

Net profits for the same period have not been so consistent, varying from $7.28 a share on the common in 1919 to $1.63 in 1920, the five-year average being $4.46 a share. Last year the company earned $3.50 and indications are that this year's results will show about the same balance.

In view of the sound financial condition and demonstrated ability of the company to show satisfactory earnings under practically all conditions, its preferred stock may be regarded as a good investment of the business man's type.

The common shares were established on a $2 dividend basis by declaration of a 50 cent quarterly payment in April. **This dividend is manifestly well secured, but the stock, yielding 7.3% at current prices of 28, while likely to reflect improvement in the industry, seems to possess no unusual market possibilities.**

JULIUS KAYSER & CO.

AS silk stocks go, Kayser is the "daddy" of the group and is probably the best known of these issues, having been listed on the Exchange since 1912. The present common and preferred stocks, however, are nearly as new as their contemporaries as a result of the fact that, in 1922, the company issued no par preferred and common shares in exchange for the old preferred and common stocks.

The junior issue which resulted from this financial recapitalization has been a distinct disappointment to its owners almost from the date of issue. Though earnings for the fiscal year ended August 31, 1922, were $11.80 a share and in 1923 amounted to $10.25, dividends were not forthcoming—this being the more puzzling since the old stock had been paying dividends regularly at the rate of 8%.

As events have shaped themselves in the past year, however, it is, perhaps, fortunate for stockholders that no disbursements were made. While the company's report for the year ended August 31 has not yet been made available, it will probably reflect fully the unfavorable position of the industry during that period. At the end of the previous twelve months, the company was carrying an inventory of 9.32 million dollars, the largest in its history, and bank loans had risen to 2.65 millions. It is patent that little or no opportunity has been afforded to improve these accounts. It seems, in fact, reasonable to anticipate a considerable inventory loss.

Both common and preferred stocks have borne testimony to the uncertainties of the silk glove, hosiery and underwear business in general and those of Kayser in particular by declining to the lowest levels since the company's securities were listed.

Dividends on the preferred stock have been maintained, however, in the face of unfavorable conditions and since it now appears that the silk industry has seen its worst, there seems no good reason why they should be discontinued. Those who may be "hung up" with the common at higher levels, would do well to wait for recovery. Those who do not hold the stock should regard it as a speculation suitable only for one who is in a position to keep in close touch with developments in the industry. **The company will require a period of good earnings to build up a stronger financial position than that probably obtaining at this time before consideration can be given to common dividends.**

H. R. MALLINSON & CO., INC.

ALTHOUGH organized in 1895, the business of H. R. Mallinson has been conducted by the present-day corporation only since June, 1918, having undergone several changes in the interim. It is engaged in a specialized field, manufacturing and selling high-grade dress silks of distinctive designs and weaves which are sold under well known brands and trade names. By extensive advertising, the company has built up a substantial good-will behind its fabrics of which "Mallinson Silks de Luxe," "Pussy Willow," "Dew Kist," and "Kumsi Kumsa" are examples. Its products are distributed extensively in this country and abroad by the company's own selling organization.

Recently, that is, in July of the current year, Mallinson announced that it had consummated an agreement with Rodier, a prominent French designer and producer of silk fabrics, whereby the former secured the right to manufacture and sell the creations of the latter in the United States. This alliance is expected to add materially to Mallinson's gross sales.

Despite the fact that the company's total volume of business has shown steady expansion in the past several years, net profits have fluctuated widely and consistent earnings power has yet to be established. Style changes probably have much to do with the rather unsatisfactory showing thus far recorded, aggravated by unsettled conditions in the industry.

As will be seen by reference to the table, earnings in but one of the last three years have been good enough to raise hopes of a dividend for the commmon stock. No information is available on which to base an estimate of this year's results, but it is probable in the light of the position of the silk trade, that no substantial improvement will be shown by the report for the period ending October 31, 1924.

The 7% preferred stock selling at 85 may be regarded as a fairly attractive spec-vestment, but the common stock's chief attraction manifestly lies in the possibilities presented by improving trade conditions which the recovery in the issue has already begun to discount.

VAN RAALTE, INC.

LIKE Julius Kayser, this company is engaged in the manufacture, sale and exportation of silk hosiery, underwear, knit goods, gloves, and dress net and veilings. These materials are nationally advertised and sold direct to the principal department stores and specialty shops.

Its record of past earnings would indicate, however, that it has not the same well developed and comparatively consistent ability to maintain its income above a relative normal as its competitor, although it did surprisingly well during the depression of 1921. To illustrate, net available for the common stock amounted

Four Silk Companies Compared

	Capitalization			Working	Earned on Common			Price Range						Current
	Bonds	Pfd.	Common	Capital		Per Share		1921		1922		1923		Current
	(In Millions)		(Shares)	(Mill'ns)	1921	1922	1923	H.	L.	H.	L.	H.	L.	Price
Century Ribbon Mills....	none	$1.87	100,000	$2.75	5.02	4.86	3.51	—	—	—	—	36	28	28
Julius Kayser*	$3.91	7.93	115,700	10.56	•4.43	11.80	10.25	•85	•68	48	34	46	28	21
H. R. Mallinson†	none	2.60	200,000	3.73	0.05	1.86	5.03	18	10	40	15	40	21	25
Van Raalte	none	3.99	80,000	4.49	12.38	10.08	Def.	—	—	67	57	64	28	18

*Years ended August 31. †Years ended October 31. •On old $100 par value common.

to but $1.14 a share in 1917 and jumped to $17.98 in 1919, while 1923 brought a deficit of $158,720 after preferred dividends.

The common and preferred shares are selling practically at the lowest prices reached as a result of their drastic slump earlier in the year. They would seem, therefore, to have sunk to a level where allowance has been made for the worst. Safety of the preferred dividend has repeatedly been called into question as a consequence of last year's unsatisfactory showing and difficulties experienced by silk companies this year. It is still in a speculative position but should be helped by the favorable trend of current conditions. However, its inactive market is a serious drawback. **The common is, obviously, even more speculative, especially in view of the doubtful position of the senior issue, although, like it, should be benefited to some extent by improvement in the trade.**

Securities and Commodities Analyzed in this Issue

RAILROAD COAL COMPANIES

COMMODITIES

PETROLEUM

INDUSTRIAL

Preferred Stocks

PREFERRED stocks continued to exhibit a steady trend. Here and there, undervalued issues were picked up by investors who desired to take advantage of existing opportunities as outlined in these columns. Worthington Pump preferred shares were in demand, the "A" stock advancing five points. Austin, Nichols & Company preferred gained 2 at 89. Railroad shares were in favor with good advances in the Rock Island issues, Gulf, Mobile & Northern preferred and Bangor & Aroostook preferred. Among the sound investment stocks, General Motors Corporation 7% preferred gained 2½ points, but is still selling to yield over 7%. Another strong spot in the semi-speculative division was International Paper preferred.

There is no reason to change view previously expressed. There are a number of good preferred stocks which are selling out of line with asset protection and earning power. With the bond market showing comparatively modest returns, this section of the investment list is deserving of attention.

PREFERRED STOCK GUIDE
(LISTED IN ORDER OF PREFERENCE)

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named.

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid d Times Earned
Sound Investments				
INDUSTRIALS:				
American Ice Company..............(n.c.)...	6	80	7.5	2.2
United States Realty & Improvem't Co. (c.)...	7	102	6.8	2.7
Mack Trucks, Inc., 1st................(c.)...	7	104	6.7	(y)2.8
General Motors Corp. deb..............(c.)...	7	98½	7.1	(y)5.1
Cluett-Peabody & Co...................(c.)...	7	103	6.8	4.7
Loose-Wiles Biscuit Co. 1st............(c.)...	7	105	6.6	3.2
Studebaker Corporation ....(c)...	7	114	6.1	20.0
American Can Co. ....(c.)..	7	115¾	6.0	2.5
Gimbel Brothers, Inc...................(c.)...	7	106	6.6	3.3
Baldwin Locomotive Works.............(c.)...	7	115	6.0	4.4
Endicott-Johnson Corp. ....(c.)...	7	108	6.5	4.6
American Smelting & Ref. Co...........(c.)...	7	103	6.8	1.7
American Steel Foundries..............(c.)...	7	106	6.6	5.0
PUBLIC UTILITIES:				
North American Co.....................(c.)...	3	47¾	6.3	(w)6.9
Philadelphia Company..................(c.)...	3	45	6.7	5.6
RAILROADS:				
Chicago & Northwestern...............(c)...	7	107	6.5	...
New York, Chicago & St. Louis.........(c.)...	6	90	6.6	(x)2.5
Chesapeake & Ohio conv...............(c.)...	6.50	103	6.3	4.9
Middle-Grade Investments				
INDUSTRIALS:				
Bush Terminal Buildings Co...........(c.)...	7	97¾	7.3	1.1
Coca-Cola Co. ....(c.)...	7	93	7.5	(x)5.1
Brown Shoe Co.........................(c.)...	7	90	7.8	2.2
Bethlehem Steel Corp. conv............(c.)...	8	107½	7.5	3.8
Cuban-American Sugar Co..............(c.)...	7	99	7.1	6.4
California Petroleum partic. pfd.........(c.)...	7	96	7.2	1.3
U. S. Industrial Alcohol Co.............(c.)...	7	102	6.9	6.4
Armour & Co., of Del..................(c.)...	7	90	7.7	(z) 2.9
Allis-Chalmers Mfg. Co................(c.)...	7	100	7.0	2.8
Associated Dry Goods Co. 1st..........(c.)...	6	92	6.5	3.0
Genl. American Tank Car Co...........(c.)...	7	96	7.3	5.4
Natl. Cloak & Suit Co..................(c.)...	7	95	7.4	...
PUBLIC UTILITIES:				
Radio Corp. of America A pfd..........(c)...	3.50	45½	7.7	(w) 2.5
Amer. W. Wks. & Elec. Corp. 1st......(c.)...	7	96½	7.3	(x) 2.2
Metropolitan Edison ....(c.)...	7	93	7.5	...
Public Service of N. J..................(c.)...	8	100	7.3	(y) 3.4
RAILROADS:				
Baltimore & Ohio....................(n.c.)...	4	59½	6.8	...
Bangor & Aroostook...................(c.)...	7	91½	7.6	2.5
Colorado & Southern 1st pfd..........(n.c.)...	4	60	6.7	6.2
Semi-Speculative Investments				
INDUSTRIALS:				
Famous Players-Lasky Corp...........(c.)...	8	97	8.2	(y) 5.7
Pure Oil Co. conv. pfd.................(c.)...	8	98	8.2	3.5
American Beet Sugar Co.............(n.c.)...	6	74½	8.0	1.3
National Department Stores............(c.)...	7	97	7.2	4.0
Fisher Body Corp. of Ohio.............(c.)...	8	100	8.0	...
Austin, Nichols & Co......................	7	89	7.8	(w) 1.5
Worthington Pump & Mfg. "A".....(c.)...	7	83	8.4	2.0
Orpheum Circuit ....(c.)...	8	96	8.3	(w) 2.5
International Paper Co.................(c)...	6	74	8.1	1.75
PUBLIC UTILITIES:				
Amer. Water Wks. & Elec. 8d pfd.....(c.)...	6	90½	6.6	(w) 1.8
Speculative Investments				
RAILROADS:				
Chicago Rock Island & Pac........(5%)...	7	88¼	7.8	(x) 1.35
Chicago Rock Island & Pac.....(c5%)...	6	78¾	7.6	(x) 1.35
Gulf, Mobile & Northern.............(c)...	6	71	7.0	(w) 1.25
Western Pacific ....(c)...	6	71¼	8.3	(w) 1.00

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

Am. Steel Foundries
Cuban-Amer. Sugar

White Eagle Oil
Paige-Detroit Motor

Weber & Heilbroner
Columbian Carbon

Six Bargains in Low-Priced Dividend Paying Stocks

Profitable Purchases Among Business Men's Investments

By BENJAMIN GRAHAM

HEREWITH is presented brief analyses of a sextet of attractive dividend-paying common stocks, selling within a price range of 14 to 41. There is a special type of security buyer to whom such a selection will appeal. He is not the conservative investor of the old school—rightly careful, but a little hidebound—who holds anything but a mortgage bond to be a wicked gamble.

Nor is he the typical Wall Street speculator, buying and selling quotations only, to whom the property behind the price means little or nothing. Well within either extreme, there is a shrewd, intelligent class who recognize that wisely chosen, strongly entrenched dividend-paying common stocks prove on the whole the most profitable purchases, considering both income and principal value. For in the last analysis they are the real investments in the prosperity of the United States.

THOUGH many stocks have advanced to very high levels, good opportunities still exist for the careful investor, particularly among the medium and low-priced issues. Each of the stocks herein selected and offered for the consideration of investors has been subjected to a strict test as to value of principal and security of dividend. It will be noted that only one stock has been selected from each of the six industries covered, thus offering the required element of diversity. An investment in each of these six issues would give a combined yield of 8.4% in addition to a good opportunity for enhancement of value.

1. Amer. Steel Foundries

Starting first with the Steel industry, the writer's choice falls upon American Steel Foundries, paying $3 and selling at 37. The dividend yield is therefore over 8%. This issue has everything to recommend it. The company is the leader in its particular section of the railroad-equipment field, comprising steel casings and car wheels—the latter providing a stable replacement demand.

There are no bonds, and the preferred issue is only one-third the size of the common. The 1923 earnings were $9.55 per share, over three times the dividend. In the first half of 1924, despite the severe shrinking in the steel business, it earned $2.81—or nearly twice the dividend. Cash and Liberty Bond holdings aggregate $12,000,000. On December 1 last current assets totalled 23.9 millions and current liabilities only 3.8 millions.

The attractive features of a security can often be best emphasized by comparing it with some other—particularly a standard, well-known issue. If American Steel Foundries at 37 be compared with Bethlehem Steel at 45, the desirability of the former becomes apparent. We have space here for only a superficial comparison, but it should serve our purpose. Bethlehem Steel sells 8 points higher but pays no dividend. It has 213 millions of bonds and 59 millions of preferred stock, ahead of 81 millions market value of common. So here the common stock represents only 23% of the total capitalization, against 75% for Steel Foundries.

During 1922, 1923 and the first half of 1924, American Steel Foundries in each period earned from 40% to 140% more per share than Bethlehem. Nearly 60% of its capitalization is represented by net current assets alone, while the figure for Bethlehem is 34%. And last, but not least, American Steel Foundries paid dividends of $3 per share since 1920. **It is a decidedly attractive common stock.**

2. Cuban American Sugar

The next issue carries the same dividend and sells at nearly the same price. Cuban American Sugar at 32, paying $3, yields 9.40%. This company is the second largest in the industry, and ranks first from the standpoint of financial stablity. Its low production cost has enabled it to make a creditable showing of sustained earning power, despite the kaleidoscopic variations that have marked the last decade of sugar production. In 1921, of course, it took a severe licking; but even this deficit leaves average earnings for ten years at about $4.50 per share on the present stock.

There are one million shares of common, par $10, selling for $32,000,000. The 9 millions of bonds are likely to be called at any time and paid out of treasury assets. This would leave only 7.9 millions of preferred stock ahead of the common. On September 30, 1923, net current assets were 18.4 millions, covering both the bonds and preferred stock. In that fiscal year, earnings were $7.45 per share of common, well over double the current dividends. No figures are available regarding profits for the current year. As usual, sugar prices have varied considerably, and have recently had a substantial advance. In June last, profits for this year were estimated at about $5 per share.

The price of this stock has fluctuated widely since 1920, in line with changing sugar conditions. The high was 60⅜ in 1920, the low 14½ two years later. For the past year the price has been stable at around the 30-35 level. **At this price it seems attractive, not only for its high dividend and satisfactory recent earnings, but also in view of the company's favored position in a basic industry, as evidenced by its ten-year record.**

3. White Eagle Oil

From sugar we turn to petroleum. Here attention might well be called to the merits of White Eagle Oil, paying $2, and selling at 24. The company's record is really remarkable when placed against the background of its industry. Since 1919, when White Eagle Oil was organized, oil has been a feverish busi-

ness. Few companies, outside of the Standard Oil group, bear a recognizable likeness to their semblance of five years ago. Many have grown several times as large; many have gone bankrupt; not a few have done both.

Yet, through all this era of ups and downs, of sweeping changes and instability, White Eagle has pursued a singularly tranquil course. It has paid its $2 dividend continuously since its first year, 1919—with one cash extra of 25c. and one stock extra of 25%. It has made but one public sale of stock, and its only bond issue has been the recent offer of $3,000,000 of 5½% notes. Finally, in each year, including the 1922 boom and the 1923 depression, it has carried something to surplus after paying its dividend.

This record of stability is especially noteworthy, considering that White Eagle is but a small company. Its sales of 14.7 millions and total capitalization of 14 millions are far from negligible, but they cannot be compared with even the large independents, to say nothing of Standard Oil. Yet White Eagle has built up a complete organization from crude production to retail sales, including three refineries, pipe lines and tank cars. But the key to its strength is its distributing system. At the end of last year it owned 472 service and bulk stations throughout the Middle West. It has steadily been building up this end of its business with a view to providing dependable outlets for as much as possible of its refining capacity. Hence, while in 1922 it sold 17% of its gallonage direct to the consumer, this figure reached 40% in 1923. This fact would explain its abilty to make profits even under demoralized conditions, where the scanty margin between crude oil and *wholesale* gasoline prices bears heavily on the average small refiner.

In the first half of 1924, White Eagle earned $3.52 per share before amortization and taxes. This would mean about $2 per share after all deductions. In other words, the year's dividend was earned in the first six months. The recent cut in crude oil prices has undoubtedly benefited the company on the whole, for its own production supplies only ⅓ of its refinery requirements, and it should save considerably on outside purchases.

It has recently been reported that the company is sold out of gasoline, having no excess inventory, and in fact holds $1,700,000 in cash against $681,000 last May. If this statement is true it indicates how valuable the service stations have been to White Eagle Oil in meeting the current problems of over-production.

The attractiveness of White Eagle may be illustrated by a comparison with Cosden, which sells higher and pays no dividend. Cosden reported a deficit last year while White Eagle earned $2.93 per share. Cosden's earnings in the first half of 1924 were less than $1.50 a share after estimating depletion, etc., on the same basis as 1923. This company has also over 9 millions of bills payable and its current liabilities almost equal its quick assets. On the other hand, White Eagle had 5.4 millions of current assets against only $740,000 of current liabilities. **Obviously, White Eagle Oil is a sound oil stock and is recommended at current levels of 24.**

4. Paige-Detroit Motor

A natural transition brings us from Oil to Motors. The issue selected here is Paige-Detroit common, selling at 14 (par $10), paying $1.20, and yielding over 8½%. The company's products—the Paige and Jewett cars—are well known to motorists, but the New York public is not well acquainted with its stocks, although they are listed on the Curb. On the Detroit Stock Exchange, however, the common is fairly active. It has just been reported that the issue is to be listed on the New York Stock Exchange.

The investigator is immediately struck by the surprisingly strong showing for the first half of 1924. Sales were 25.5 millions, against 46.3 millions for all of 1923. Net profits after preferred dividends were $1,854,000, or $3.09 per share of common—at the annual rate of over $6 per share. These profits were about equal to those of Chandler, which sells at nearly three times the price of Paige. They were four times larger than the per share earnings of Hupp, which also sells at about 14. Particularly noteworthy is the fact that the second quarter's earnings were substantially larger than those of the first three months—in direct contravention of the general experience of motor companies this year. The 1923 earnings were given as $4.99 per share, but apparently certain deductions should be made, bringing the figure to about $3.90 per share.

Paige has recently experienced a remarkable growth. In only two years—1921 to 1923—sales rose from 8,700 to 42,900 cars. The introduction of the lower-priced Jewett model has proved a very successful step. This second line is being turned out in a new factory, which is claimed to be one of the finest in the country. Of course, expansion at this rapid rate has required a considerably heavier investment. Nevertheless, the large earnings above cash dividends, aided by the sale last Spring of $3,000,000 of bonds, have sufficed to keep the company in excellent liquid condition. On June 30, 1924, current assets were 9.1 millions against 2.8 millions of current liabilities. The working capital thus covers fully both the bonds and preferred stock.

Both on its separate showing and on a comparative basis, Paige-Detroit appears to be one of the most attractive of the motor issues.

5. Weber & Heilbroner

This issue is representative of the merchandising or retail group, which has made so excellent a record in recent years. Weber & Heilbroner operates a chain of 13 stores (12 in New York City) selling men's clothing and furnishings. The stock is quoted at 16,

SIX UNUSUALLY ATTRACTIVE LOW-PRICED STOCKS

Stock	Price	div	Yield
Am. Steel Foundries	$37	$3	8.1%
White Eagle Oil	$24	$2	8.3%
Weber & Heilbroner	$16	$1	6.2%
Cuban-American Sugar	$32	$3	9.3%
Paige Detroit Motor	$14	$1.20	8.3%
Columbian Carbon	$41	$4	9.8%

pays $1, and yields 6%. The earnings in the year ended February last were $2.60 per share, against $2.40 a year before. At the beginning of the current fiscal year Weber & Heilbroner purchased the business of Brokaw Bros., paying $300,000 in preferred stock, and $1,134,000 in cash, part of which was raised by the sale of 52,000 shares of additional common at $15 per share. The company now has outstanding $960,000 preferred stock and 225,000 shares of common, making an aggregate capitalization of $4,570,000.

Total sales of the present company are about 8 millions annually. The indicated net profits of Brokaw Bros. alone last year were only about $70,000; but the average for eight years was about $150,000. Certain changes in policy are expected to add substantially to future profits under new control. Combined net earnings have accordingly been forecast at approximately $800,000, or $3.25 per share. If these figures are realized, the dividend of $1, paid since November 1919, may easily be increased.

The financial condition is sound, current liabilities of one million being covered by quick assets of 2.7 millions. The tangible value of the stock is only $7.50 per share, but this is a fair showing for a retail store issue. **Compared with others of this class, Weber & Heilbroner is selling at an attractive level and appears to have excellent possibilties of price enhancement through the steady growth of its business.**

6. Columbian Carbon

The program will be concluded by an analysis of an issue representing no group in particular, unless it be that conveniently labeled "Miscellaneous." Columbian Carbon sells at 41, pays $4, and so yields close to 10%. The business has been in existence since 1907, but the shares are relatively new to the New York Stock Exchange, having been listed only last year. Due to the possible unfamiliarity of our readers with the business of the company, a brief description of its properties and products may be in order.

Its chief product is carbon black, which is the main constituent of printers' ink. In the past few years, carbon black has also become a major ingredient in tire manufacture, producing the standard "black tread." It is used in many other rubber products, in paints, varnishes and polishes, and a myriad other items. The company also produces lamp black, which has many industrial uses, and other black pigments.

Carbon black is obtained from natural gas, which the company produces on its large holdings in various fields, chief of which is the Monroe Gas Field of Louisiana. The company controls about 48,000 acres of proven lands and 53,000 acres unproven. It owns 26 factories, as well as pipe lines and tank cars. As a by-product, the company produces large quantities of gasoline, and it also sells about 10% of its natural gas production to outsiders.

The capitalization structure is simplicity itself—402,000 shares of stock, no par, selling for $16,480,000. There are no bonds or preferred stock. Reports for the past five years show a remarkable expansion in production, sales and profits. Natural gas output was more than quadrupled. Sales increased from 3 millions in 1918 to 8.4 millions in 1923. Profit before taxes rose from $1,386,000 to $3,866,000. After all deductions, including 1.4 millions for amortization, earnings per share last year exceeded $8, or twice the dividend. The recent industrial depression has of course somewhat reduced 1924 profits, which for the first half ran at the annual rate of $6.10 per share. On this account the price of the stock has declined from a high of 55 to its present level of 41 which is about the low.

The working capital position on December 31 last was excellent. Current assets totalled $3,189,000, while current liabilities consisted only of $394,000 accounts payable, and $480,000 estimated taxes. In view of the strong cash position, and the fact that earnings are still 50% above dividend requirements, there would seem no reason to expect a change in the current rate.

The company has been steadily adding to its productive capacity and the uses for its output have been constantly expanding. Hence it is in a position to take full advantage of renewed business activity, and should have no difficulty in exceeding the excellent earnings for 1923.

How Six Attractive Low-Priced Dividend Payers Compare

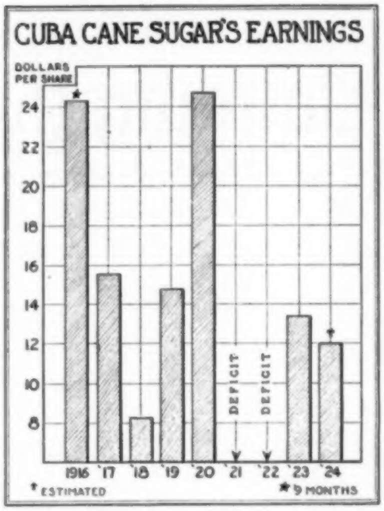
Capitalization	Am. Steel Foundries	Cuban-Amer. Sugar	White Eagle Oil	Paige Detroit Motor	Weber and Heilbroner	Columbian Carbon
Bonds	—	$9,035,000	$3,000,000	$3,000,000	—	—
Preferred	$8,951,000	7,874,000	—	2,338,000	$960,000	—
Com. No. Shares	722,200	1,000,000	460,000	600,000	225,520	402,131
Market Value	$26,721,000	$32,000,000	$11,040,000	$8,400,000	$3,608,000	$16,480,000
Total Capitalization	35,672,000	48,909,000	14,040,000	13,738,000	4,568,000	16,480,000
1923 Report						
Sales	$63,592,000	$36,063,000	$14,693,000	$46,296,000	$6,500,000†	$8,597,000
Bal. for Common	6,987,000	7,450,000	1,348,000	2,352,000*	442,000	3,376,000
Earned per Share	9.55	7.45	2.93	3.92	2.60†	8.40
First Half of 1924						
Sales	—	—	$6,632,000	$26,559,000	—	—
Bal. for Common	$2,046,000	—	1,017,000*	1,854,000	—	$1,228,000
Earned per Share (annual rate)	5.62	—	4.42	6.18	—	6.10
Balance Sheet Figures						
Date	Dec. 31,1923	Dec. 31,1923	May 31, '24	June 30,1924	Feb. 29, 1924	Dec. 31,1924
Cash Assets	$10,097,000	$1,793,000	$681,000	$1,724,000	$662,000	$1,245,000
Total Curr. Assets	23,901,000	25,051,000	5,438,000	9,113,000	2,771,000	3,189,000
Current Liabilities	3,767,000	6,633,000	739,000	2,763,000	1,063,000	875,000

*After estimating deductions. †Year ended Feb. 29, 1924, before Brokaw acquisition. Sales partly estimated.

Cuba Cane Sugar Corp.

Cuba Cane Preferred's Dividend Prospects

Recent Progress—Is Financial Position Strong Enough to Warrant Dividend Payments?—Market Possibilities



CUBA CANE SUGAR CORPORATION is the largest producer of cane sugar in the world. Including holdings of its subsidiary companies, it owns in fee approximately 435,000 acres of land and has under lease 338,500 acres. On these properties, the company operates fully equipped sugar mills, having a capacity of over 5¼ million bags of sugar annually. In addition, it owns and operates 935 miles of railway, of which 691 miles are standard gauge and the balance narrow gauge.

Passing of Preferred Dividends

The corporation was formed in 1915, in the heyday of inflated capitalization and prices incident to war conditions existing at that time. It would seem that originally the stock capitalization was very considerably waterlogged, the common shares issued being based apparently on the very abnormal conditions which existed in the sugar industry and hopes that this abnormal earning power would justify the large amount of stock. With sugar retailing up to 30 cents a pound, it was quite natural that large earnings were shown even on the large capitalization, but the consequent return to conditions which were even subnormal, following the drastic deflation in sugar prices, was a damper on the hopes of enthusiasts who had purchased the stock based on the abnormal earnings during the war period.

The result was that in the Spring of 1921 dividends were passed on the preferred. While this was a sad blow to the hopes of investors who had purchased the shares at higher prices, the management undertook to develop these properties from the commercial standpoint. By greater centralization of operations and more economical methods in the conduct of the business, not only has the company recovered from the disastrous losses incurred in 1921, but operations on basis of normal conditions existing in the sugar industry during the last two years have revealed a considerably improved earning power. Operations during the past two years under skillful management lends promise to the anticipation that even better results may be secured.

Bonded debt consists of 35.6 million dollars of which 10.6 millions are mortgages on certain portions of the property, and 25 millions, 7 and 8% debentures due in 1930. Stock capitalization consists of 50 million dollars 7% cum. convertible preferred (par $100) and 500,000 shares of no par common. As previously indicated, no dividends have been paid on the preferred since the Spring of 1921 and 24½% in arrears are due thereon. This preferred stock is now selling in the market at $60 a share.

During the first two years of operations, 1917-1919, net earnings averaged 6¼ millions annually. In 1920, when sugar was commanding high prices, the company returned an income of 12.4 millions. However, Nemesis overtook it the following year when owing to the collapse in all sugar values a loss of 21 millions after preferred dividends was incurred.

Estimate of 1924 Earnings

The management thereupon proceeded to put its house in order with the result that for the fiscal year ended September 30, 1922, the loss was reduced to 2.2 millions and last year net income after all charges was 6.8 millions, equivalent to approximately $13 a share for the 500,000 shares of preferred stock outstanding. For the current fiscal year, the company secured an outturn of 3,683,291 bags of sugar compared with 3,284,731 bags for the previous year, and it also was able to obtain in excess of 4½ cents a pound on 85% of its crop. Anticipating that it will be able to sell the remainder at an average of 4 cents, the present price, and adding income derived from molasses and other products, net should be in the neighborhood of the return obtained in 1923, the increase in outturn offsetting the somewhat higher labor charges incurred for the period mentioned.

Outlook for Preferred and Common Stocks

The company is in very strong financial condition, balance sheet at the close of last fiscal year showing working capital of approximately 16 millions. Under liabilities, 3 millions in notes payable were listed. These have been paid off and the company is practically free from debt except small current obligations incurred in the conduct of the business. With large receipts from sales of sugar, the company is in excellent cash position. Estimating that earnings this year will measure up to the result secured in 1923, the company will have earned approximately $25 in the past two years. With financial position the best in its history, preferred stockholders are warranted in anticipating that their long wait is drawing to a close and that resumption of at least regular dividends is in sight. Without giving consideration to the accumulations due on the shares, Cuba Cane Sugar preferred as a potential 7% dividend payer appears to be selling out of line on basis of present market levels. **The stock at 60 consequently offers a favorable medium for speculation. The common, of course, is much more speculative but will follow in the wake of the senior stock.**

Cuba Cane Sugar's Record

Year	Net Millions	Per Share Pref. Earned	Dividends Paid	Working Capital Millions	Preferred High	Preferred Low
1917*	7.31	$14.63	$7.00	5.66	94½	77¼
1918	4.12	8.25	7.00	2.03	83	77½
1919	7.38	14.77	7.00	.07	87⅞	69½
1920	12.34	24.69	7.00	31.95	85⅝	54
1921	† 18.97	.....	3.50	3.35	67⅞	13⅛
1922	† 2.22	.....	none	9.85	41⅞	15¼
1923	6.83	12.95	none	15.95	64¼	33½
1924 ‡	.....	11-12	none	.....	71⅞	53⅝

* Fiscal year ends Sept. 30. Recent price, 60

† Deficit. ‡ Estimated.

Building Your Future Income

For Men and Women Who Look Ahead

Let's Hope They Do It!

AT their thirteenth annual convention, the investment bankers of the nation discussed a plan to broadcast financial education through the medium of a nation-wide publicity program.

That some such plan to foster public knowledge of finance be pursued by this influential body is a consummation devoutly to be hoped.

As we have said before: If there is one subject the average man seems to know less about, and needs to know more about, than any other, that subject is finance.

* * * *

Indicative of the ignorance of finance which reaches up even into the "higher" circles of public life, we have the now famous "bull" of the Mayor of New York. This worthy recently pointed to an advance of some millions of dollars in the market-value of a certain traction company's securities; he then demanded, in practically so many words, whether any of this "money" had gone toward the construction of new subways.

* * * *

In "lower" places, of course, ignorance of the machinery of finance is even more—well, *appalling*. Thus, note a recent question put to BYFI as to whether the par value of a stock was not the price you paid when you "bought it from the company," whereas the market price was the price you paid when you "bought it from a broker." Or, note another question put to our Inquiry Department a while ago, in which a reader asked whether, on the day upon which a certain bond-into-stock conversion privilege became operative, the stock would not automatically advance in price to the level at which conversion became attractive. Or, take the case, duplicated many times, of the inquirer who points to a certain particularly doubtful mining stock selling at 2 cents a share and asks whether we do not consider it "a good *investment*."

* * * *

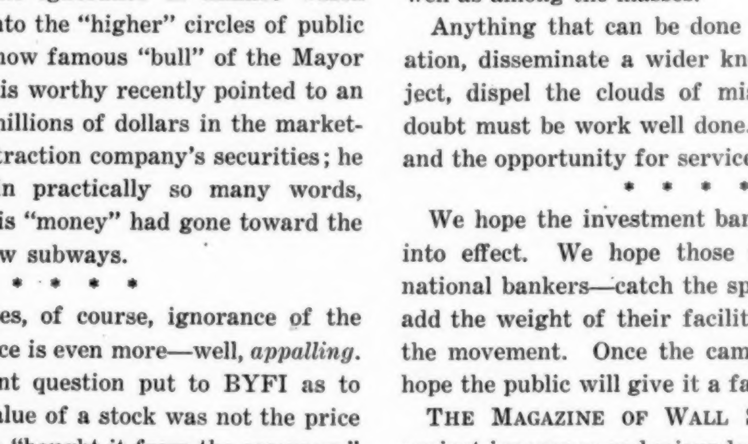
Instances such as these could be multiplied. Let them suffice, however, to illustrate the pressing need for financial education among the classes as well as among the masses.

Anything that can be done to remedy the situation, disseminate a wider knowledge of the subject, dispel the clouds of misunderstanding and doubt must be work well done. The need is great and the opportunity for service even greater.

* * * *

We hope the investment bankers put their plan into effect. We hope those other bankers—the national bankers—catch the spirit of the idea and add the weight of their facilities and influence to the movement. Once the campaign is begun, we hope the public will give it a fair trial.

THE MAGAZINE OF WALL STREET has fought against ignorance and misunderstanding in finance for seventeen years, and for the greater portion of that time it has fought practically alone. New adherents to its cause are assured of a hearty welcome.



One Man's Solution of His Own Insurance Problem

How He Converted the Surrender-Value of His Endowment Into Paid-Up Policies

I HAVE been a subscriber to THE MAGAZINE OF WALL STREET for several years and have been, I hope, an intelligent investor.

I have been particularly interested in your insurance problems and have been wondering whether one little problem that I solved for myself might not be interesting to readers of the younger generation, now that Life Insurance is coming into its own.

In 1903, at the age of 23, I took out a 25-year Endowment policy in the ——— Mutual Life Insurance Company of ——— for $3,000. The premiums were $116.43 per year and I allowed the dividends to accumulate as paid-up additions to the policy. At the end of 21 years, I had paid $2,445.03 in premiums and was amazed to find that the policy had a surrender value, including dividends, of $3,024.89.

This set me thinking, and it became apparent to me that if I allowed the policy to run to maturity I would, in reality, be carrying the insurance load myself with little or no expense to the company.

It was obvious that there should be a change, either by taking my money and applying for new insurance or by buying as much paid-up insurance as the surrender value would purchase.

I chose the latter course and found that, by adding about $100 in cash, I could buy $6,000 paid-up insurance, which I did. Of this, $3,000 was ante-dated to 1903 and draws dividends as of that date and the policy bears the same number as the original policy. I took no physical examination for this policy, but did take one for the other $3,000.

I might add, in passing, that if I could not have passed the examination, I could still have converted the original policy into $3,000 paid-up, and taken the balance in cash.

The first dividend on the second $3,000 was large, but I discovered that the ensuing dividends on both policies would come within about $7 of paying the premiums on an Ordinary Life policy of $2,000 taken at age 44. I therefore took another physical examination and bought the $2,000 policy.

In the course of a very few years, the dividends on the paid-up policies will entirely take care of the premiums on the $2,000 policy, and it is my intention to let the dividends on the Ordinary Life policy accumulate, for the purpose of having the policy pay itself up in the course of time.

Thus it will be seen that, if I had died *before* making the change, my Estate would have received between $3,500 and $4,000, whereas now, by the payment of about $100 in cash and the temporary payment of about $7 per year, my Estate, in case of death, will receive $8,000.

My family insurance has been perfected to my satisfaction, and this $8,000 will make a nice little nest egg for Inheritance Taxes, Administration Fees, etc.

Inasmuch as such a change as hereinbefore set forth can probably be made only once in a lifetime, it should be taken advantage of whenever the opportunity presents itself; in other words, the insurance company should be made to carry the load at all times.

This method of change, of course, will not make the American dollar work as hard as it might be made to work, but it does bring the satisfaction of paid-up insurance and relief from worry, if the intention exists to build up insurance for a particular purpose.

It might be argued that the original $3,000 policy should be allowed to mature, at which time it should bring in approximately $4,000 and then paid-up insurance could be bought with that amount of money. The answer to that argument is that the paid-up policy would cost considerably more in four years, a new examination would be necessary and death might come at any moment.

Please understand that the foregoing is not predicated upon any desire to break into print. It is written with the thought that one of the wonders of Life Insurance may be brought home in a somewhat unusual way to prospective purchasers.

Please use this or not as you see fit, and in any way, partially or as a whole.—Charles H. Wilson, Davenport, Iowa.

MRS. CLARENDON'S OPINION OF THE ABOVE SOLUTION

Congratulates Mr. Wilson Upon His Foresight Advises Others to Profit From His Example

I congratulate you on the thrift and foresight you have exhibited in your insurance investment.

The fact that you placed your life insurance at a youthful age when premiums were attractively low and that you took the wise course of purchasing paid-up additions to the policy with your dividends has naturally worked out greatly to your advantage.

The intelligent conversion of the surrender value under your Endowment policy toward the payment of paid-up policies for $6,000 and the subsequent taking of an additional policy for $2,000 was the course of wisdom for a family man to pursue.

You have exemplified, in your own case, the beneficent value to a young man of life insurance investment.

We appreciate and thank you for sending the facts in your most satisfactory insurance program.—(Mrs.) Florence Provost Clarendon.

How Finance Is Taught in One Public School

Eighth-Grade Students in Washington Given Grasp of Fundamentals of Investing

By H. F. Lowe, M.A.

Dr. Lowe is principal of the Lenox-French Vocational School in Washington, D. C.

BYFI is more than pleased to have received this statement from him and invites other educators to express their views through these columns. The subject is important enough to merit widespread discussion.

MR. BREWER'S article in The Magazine of Wall Street for the August 30th issue prompts me to write what one school below the rank of high school is doing for its pupils. I shall give you in outline how our eighth-grade pupils were taught finance in the Lenox-French Vocational School, Washington, D. C. The method we used not only aroused the interest and enthusiasm of the pupils; but the problem and its solution challenged the attention of the parents and friends.

We gave the class, for solution, the following problem: "How can I begin work at 22, retire at 62, and be worth $20,000 by saving and investing only 10% of my earnings?"

As the class came from homes where for the most part no considerable sum of wealth had been accumulated, the problem was received with a great deal of skepticism. Its possibility was questioned by teachers and even by a college registrar who later was asked for certain data about the graduates of his college. The experience convinced me that not only pupils but teachers and college authorities were unfamiliar with the accumulating possibilities of systematic investments carried on through long periods. The arithmetics used by the class contained neither accumulation tables nor references to them. These books did contain a compound interest table for the first 20 years. We had the class make the necessary calculations in compound interest that they might know how the tables were constructed. Following this, we extended the tables to 40 years at 5%, 6% and 7% that the class might get drill in fundamental operations as well as to see how money at compound interest doubles, quadruples, and octuples, with each succeeding period of years. To find that $1 at 5% became $2 in 14 years, $4 in 28 years, and $8 in 43 years was an interesting surprise to them. It was a revelation to find the same accumlation in 12, 24, and 36 years at 6%. You do not need to be told that they were interested when they realized that $1 at 7% became $2 in 11 years, $4 in 21 years, and $8 in only 31 years.

Paralleling this work we were doing some other things that did not lessen the interest of the class. We wished to make letter-writing practical and teach our pupils correct forms for business letters, and at the same time get convincing facts from accounts of what was actually happening in the world about. The correspondence was so arranged that no two pupils wrote the same person, and each pupil used his or her home address in the correspondence. How their bosoms swelled with pride when they received a reply from the college registrar, the banking house, or the broker. They compared letters with great glee and were quick to note when an employer engaged a cheap typist for his work and sent out letters with mistakes or bad typing.

But, before these letters could be prepared, it was necessary to have a list of persons to be addressed. The class must find out where their college work could be done that they might be well qualified to earn money; it was necessary to know the names of the financial institutions of our city; there must be some place and some thing in which to invest.

Nominally, our subject was stocks and bonds, a subject common enough in school arithmetics but so presented in the text that rates of brokerage are incorrect, odd lots unknown, and its lack of enthusiasm suggesting that probably most of the experience of the author had come by being robbed of his hard earnings through investment in some wild-cat scheme.

(*Please turn to page* 971)

Authorities evidently agree with BYFI that the fundamentals of finance should be taught in the public schools.

Here are specimen sentences from a typical letter on the subject, this particular letter having been written by the Superintendent of Schools in a certain Western city:—

"The more I read it (The Magazine of Wall Street) *the more interesting and instructive do I find it. . . . Particularly was I interested in the splendid article on teaching thrift in the public school that appeared in the August 30th issue.*

"We do have a course here for ninth-grade students called 'Vocations' in which we have injected some instruction on thrift, but I want to put in still more. I think you are doing a splendid work in urging such instruction, and I for one am going to put some of it to practice in our own schools."

Can Foreclosure Injustices Be Prevented by Law?

Readers Attack and Defend Statements by "A Reader" in the August 16th Issue—Who Is Right?

AN article written by a reader of Building Your Future Income and published anonymously in our August 16th issue has aroused quite a controversy.

The article had to do with Mortgage Foreclosures in the home-owning field. It deplored the injustices sometimes encountered in this field in the past and urged the development of legislation calculated to forestall such injustices in the future. It specifically suggested—although it did not insist—that future foreclosures be made effectual only on the basis of some kind of pre-determined Appraisal Price, but it left for future discussion the matter of actually providing for such an Appraisal.

BYFI, in an editorial note, expressly raised the question of whether or not such an Appraisal policy could be made practicable.

"A GLIMPSE BEHIND THE SCENES"

On this and succeeding pages, BYFI gives its readers a glimpse "behind the scenes."

We reproduce, in greater part, several of the most emphatic letters to the Editor bearing upon a recent article on Foreclosures published here.

Aside from their bearing upon the subject at issue, these letters reflect the active interest taken by readers in the articles published by BYFI. Also, the space we devote to them indicates the value we put upon them and measures our estimate of the importance of reader-co-operation.

Some readers sided very strongly with the author of this article in the views he expressed. In letters and personal statements to BYFI, they emphatically endorsed his stand.

Other readers—and it is only fair to say that, so far as may be judged by our correspondence, these were in the majority—upbraided "A Reader's" article unequivocally. In fact, one of this group assailed BYFI rather bitterly for having printed the article at all.

Of course, so far as BYFI is concerned, there was no effort, express or implied, to "take sides" either with the author of this article or against him. BYFI seldom does take sides on a general proposition. BYFI long since realized that there are two sides to every case and that, especially in matters of money, what will be the right side for one man, or group of men, may be exactly the wrong side for some other. On this principle, BYFI always endeavors to picture both sides of every case it covers—and its publication of "A Reader's" views merely reflected its willingness to help throw a little daylight upon one side of the Foreclosure Problem.

However, BYFI could not be fair to its readers, its correspondents and, incidentally, to itself, if it contented itself with having published "A Reader's" views and then left unpublished the latterly-revealed views of other readers. To live up to its own standards of square dealing, it is under obligations to print opinions that disagree as well as those that agree.

On this principle, we offer, in what follows, reprints of the relevant portions of three of the strongest letters brought forth as a result of "A Reader's" discussion. We also reproduce a further statement by "A Reader," himself, written after he had been given opportunity to examine the adverse opinions received.

RESTRICTIONS WOULD THROTTLE REAL ESTATE LOANS

Henry R. Brigham Condemns "A Reader's" Foreclosure Suggestions

Since it (the original article on "Home Foreclosures") was anonymous and the author's address unknown to you, I was at first inclined to ignore it because the true facts of the illustration given can probably not be obtained, but since in your current number you seem to agree with it and as the "robbery" occurred in my state, I wish to record my protest.

The writer of the article neglected to give any of the facts necessary to prove his point except that the mortgagors had in five years paid the interest on the loan and $1,200 on account of the principal and at the end of five years they could not get it renewed and the mortgage was foreclosed. The amount of the mortgage, the purchase price of the house, the condition of the house, its market value when purchased, its fair market value when sold, what efforts were made to sell the house prior to foreclosure, the changes in the neighborhood, if any, etc., are all omitted. It was evidently a purchase money mortgage which is very apt to be larger than a conservative first mortgage and is at times equal to the full value of the property, but that is left uncertain.

However, I admit that there may occasionally be instances of injustice in foreclosures of mortgages, but I claim that a study of the records will show that a very small percentage of first mortgages on real estate are foreclosed in Massachusetts at maturity, and that of those foreclosed, the percentage where injustice exists is extremely small. *To cure those few cases by legislation that would make it almost impossible to secure loans on real estate unless perhaps at a far higher rate of interest than at present is about as drastic as to prohibit buying stocks on margin because occasionally a broker is dishonest.*

When a man buys a house he must exercise judgment the same as when he buys stocks, bonds, or anything else, and if he makes a mistake by paying too much for a house or buying it in a neighborhood where values are depreciating, he may have to suffer loss the same as if he buys stocks at their high point before a falling market.

A "forced sale" is not held without notice which in itself is sufficient time for him to apply to banks and others for a mortgage which he can usually secure if he exercised good judgment in buying his house, has kept it in good repair and has reduced the mortgage to a conservative percentage of the value. If he exercised poor judgment or has neglected to keep the property in repair or has not properly amortized the mortgage, he knows in advance when the mortgage is due and has time in which to try to sell the house. Although we hear much of the injustice of "forced sales" you rarely hear of a *bona fide* case where the purchaser has profited thereby by reselling until after he has spent money in repairs, improvements, etc., putting the property into the condition in which it should have been kept, which is as fair and legitimate as buying any poor property and improving it and then selling it at a profit.

Banks and rich men have been condemned in recent years for not investing more money in real estate mortgages and yet instead of proposing legislation which might tend to make such investments more attractive to them, you propose through your elusive "reader" to make the terms of such loans far more unattractive. Your timid "reader" says that in the German method he suggests *"every consideration is given to a debtor and his equity is generally secured to him"* but if we should pass a law providing that *"no home shall be sold under foreclosure for less than its appraised value"* and no purchaser could be found within a reasonable time, is justice being done the creditor? How many savings banks or insurance companies would wish to loan money under such uncertain conditions?—Henry R. Brigham, Boston, Mass.

Concerning the foregoing letter, BYFI

would like to make the following notations:

(1) The chief point made by Mr. Brigham was suggested by BYFI itself in an editorial note accompanying the original article. In part, this note read: ". . . *would it (such a foreclosure law) be a just law, or would it constitute an invasion of the rights of the mortgagee as serious as the frequent past invasions of the rights of the mortgagor?*" This would seem to have been a rather open-minded attitude for a department accused of a warped and one-sided viewpoint.

(2) The writer of the original article is not at all unknown to BYFI. On the contrary, BYFI knows him well. This writer had hoped to keep the personal element entirely out of his discussion of foreclosures and for that reason requested that his article be published anonymously; but, in view of the controversy that has arisen, he has himself suggested that BYFI reveal his identity, and that we now do. "A Reader" is Mr. James B. Morman, Economist, Farm Loan Board, Treasury Department, Washington, D. C.

(3) The failure of our Home Owning Page to please Mr. Brigham is regrettable. BYFI would like to please everyone. However, a page which is as willing to publish one side of a two-sided argument as it is to publish the other, always for the purpose of clarifying the greater truth, cannot hope to always please everyone. In the jargon, you're bound to "step on somebody's toes," now and again. But Mr. Brigham, we think, as a lawyer, should appprove of a policy which provides a fair hearing for both parties in every case.

Now for Mr. Morman's ("A Reader") reply:

ARE FORECLOSURES NUMEROUS?

"On page 9 of the Report of the Secretary of Agriculture for 1923 it is shown that in 15 states an average of over 5 per cent of farmers had lost their homes through foreclosure or bankruptcy, nearly 4½ per cent had turned over their homes and farms to creditors without legal process, and more than 15 per cent were holding on to their homes through leniency of their creditors."

"A READER" REPLIES

Insists That Enough Foreclosures Are Unjust to Require Action—Defends Appraisal Plan as the Solution

I very much regret that the critics of the suggestion against home foreclosures in THE MAGAZINE OF WALL STREET of August 16th did not read the story more carefully. Had they done so, they would have found some of their statements without point.

The whole story was based upon the knowledge that there are *some* money lenders who are *unscrupulous* and whose sole object is to fleece the unwary and often ignorant purchaser of real estate. The writer simply suggested legislation as a means of protection. Surely there was nothing in that to suggest that I had implied that all lenders of money on real estate were unscrupulous. In fact, I stated the very opposite, as follows:

"While there are thousands who do not lend with any such intention in view as the foreclosure of a mortgage on a home if interest or principal cannot be paid at the stipulated time, there are many others who make a practice of just this thing."

In this sentence, it is made perfectly plain that I contrasted the word "thousands" who do not plan to foreclose as against the word "many" who do. Consequently, my critics and I are in accord, namely, that there are *some* who are unscrupulous enough to take advantage of a debtor's misfortune or unwariness as the case may be.

I very much fear that foreclosures are much more prevalent than is good for either borrower or lender, and that cases of unjust foreclosures occur in every State. *On page 9 of the Report of the Secretary of Agriculture for 1923 it is shown that in 15 states an average of over 5 per cent of farmers had lost their homes through foreclosure or bankruptcy, nearly 4½ per cent had turned over their homes and farms to creditors without legal process, and more than 15 per cent were holding on to their homes through leniency of their creditors.* This shows not only the prevalence of foreclosures but also the large number of creditors who are *not* anxious to take advantage of a debtor's misfortune. While, therefore, I concede that the percentage of home foreclosures by unscrupulous lenders is exceedingly small as compared with the much larger number who are strictly upright and just in their dealings, I still believe something should be done to protect the ignorant and unwary buyer. That was all I claimed and I still maintain it is a legitimate and worthy desire.

As a means of protection against an unscrupulous mortgagee, I suggested legislation to the effect that real property should not be sold under foreclosure except at its appraised—that is, its fair value. I had in mind exactly the same kind of appraisal for determining the value of the property before foreclosure sale as occurs when property is appraised for determining the amount of a loan. The very purpose of it would be to prevent unjust foreclosures. The latter would only occur where one was eager to reap an advantage and not to protect his lawful equity as mortgagee. The editor of BYFI anticipated the objections of my critics when he set out in a square in the middle of the story the following statement and asked the following questions:

"In connection with the accompanying article, readers of BYFI are invited to express their views as to the practicability of the remedy suggested, i. e., passage of legislation that would prohibit the sale of property under foreclosure except at its appraised value.

"In your opinion, would such legislation be practicable? And, if so, would it be a just law, or would it constitute an invasion of the rights of the mortgagee as serious as the frequent past invasions of the rights of the mortgagor?"

If legislation is not the remedy for protecting the rights of both debtor and creditor, what is the remedy? It would be useless to enter into any controversy over the question, but I for one would like to know how an honest debtor is to be protected against one who does aim to take advantage of his misfortune, unwariness or ignorance?

As a matter of fact, what protection a debtor now has is the result of legislation. There was a time when a debtor could be imprisoned for debt. Legislation made that unlawful. Now the law theoretically aims to protect him against usurious rates of interest, a limit being fixed by law. If some money-lenders are not unscrupulous, why was a law against usury ever enacted? If, as is conceded by the critics themselves, there are those who do take advantage of an unwary or ignorant debtor, how can he be protected except by law?

In this connection, let me say that many States have afforded some protection against unjust foreclosure by legal enactment to the extent of allowing the right of redemption for a definite period of time. Some States allow a mortgagor one year, some two years, within which to purchase back his real property by paying all costs. This is a very direct step toward my own suggestion, and I fail to see why further progress could not be registered in the form of law if public welfare demanded it.

To say that savings banks, co-operative credit societies and other money-lending institutions would not lend money on any "vague" restriction upon necessary liquidation of real estate mortgage assets in their hands is not arguing against a law or a system of appraisal that need not be vague. The average State legislature is intelligent enough to frame a law that would protect both creditor and debtor. Legislatures fix the maximum interest rates that can be charged, they prohibit and penalize usury. *Why not go a step farther and protect debtors against the unscrupulous money-shark? That was the only question I raised, and no critic has yet answered it.*

I in no way whatsoever reflected upon the vast majority of upright men and institutions that lend money on mortgage. Nor can I see how legislation would disturb present relations between them and borrowers who need small loans or increase interest rates to this class of borrowers. The former do not want to foreclose, the latter seldom, if ever, give them cause to foreclose. It is the victim of the plotting Shylock that I would protect and I cannot see how he can be better protected than through just and reasonable legislation. —"A Reader" (James B. Morman).

There is Mr. Morman's viewpoint, squarely stated, and expressly and obviously aimed to bring home the plight of those who, however seldom, can be deprived of the fruits of their labor and savings because they are ignorant and because they have no protection at law. Now to go back to the other side of the fence—this time to a letter gladly received from another old friend of BYFI:

MR. HAYES DOUBTS EFFICACY OF PROPOSED PLAN

Holds That Any Legislative Plan Would Be Unsound

I have read with interest the recent article in your columns by one who signs as "A Reader," and relative to mortgage foreclosures.

It seems to me that, no matter which way one looks at the proposition, the inevitable conclusion reached must be that any legislative activity seeking to allow a foreclosure sale only at or above the "appraised valuation" would be unsound.

If we must consider, *theoretically*, that the mortgagee ought to be assured of his real estate being sold for at least the appraised value (and by that, I assume, is meant the fair value) then it is only fair to consider also that, theoretically, the purchase bid at public auction represents the fair value. "A Reader" has specifically cited a Massachusetts illustration in his plea. In that state, the common foreclosure sale is at public auction—open to the whole world—and the time and place advertised once a week for three consecutive weeks in a public newspaper.

If we are to consider, *practically*, the contention of "A Reader," then here is a suggested result which, if true, would act as a boomerang coming back strongly against the very persons that "A Reader" seeks most to help—those of small means. For, turning

again to the State of Massachusetts as the battleground, it is safe to say that by far the greatest source of help to the people of more limited means with respect to home-owning are the Savings and the Co-operative Banks. By far the larger percentage of the investments of these banks are in the form of mortgages on small homes. I leave it to your imagination as to the attitude these banks would assume if they found themselves confronted with a law which placed any such arbitrary vague restriction upon necessary liquidation in the case of such a type of asset in their hands.

I have used the word "vague" for I am sure that no one in Massachusetts will dispute my allegation that in the average case the so-called "appraised value" of real estate by the city or town is poorly indicating of fair value. But even if "A Reader" has in mind another type of "appraised valuation" (and upon this point I should like to be enlightened) the above argument, it seems to me, would still hold true.

In concluding, may I add, Mr. Editor, that it has been my experience arising out of a considerable number of conveyancing cases, that it would be *most* unusual for the average person to be unable to renew his or her mortgage in Massachusetts under such circumstances as outlined in the illustration of "A Reader"—assuming, of course, that too much was not paid for the property in the first place.—C. F. Hayes, Jr., Boston, Mass.

Mr. Hayes is to be thanked for his clear and impartial answer to the question raised by BYFI as to the "practicability" of legislation such as that proposed by "A Reader." His reasoning is clear, cogent and to the point.

Let us turn now to one more letter—the last to be printed here. We do not know the writer of this letter personally, but take the liberty of reprinting what he says verbatim:

"I HEARTILY AGREE"

Another Reader Takes Up Cudgels in Defense of "A Reader's" Plan

I read with intense interest your article in the August 16th issue, "The Injustice of Home Foreclosures." I heartily agree with the writer that we ought to have better laws to protect the home owner. I ask your indulgence while I give you a specific example of the gross injustice foreclosure proceedings will have on a friend of mine. Perhaps if this case were brought to the attention of our legislators we could start some action.

This friend of mine was a resident of New York City all his life and three years ago was sent up here (Saranac Lake) to try to cure tuberculosis. He is a married man and a father.

His income stopped almost immediately after taking sick and being unable to work. After ten years up here, he decided to invest the balance of his savings, which were dwindling fast (all going out and nothing coming in) by purchasing a 3-family house, occupying one apartment himself and renting the other two which would bring him a small income while having his own rent free. The deal was put through by a real estate agent of a concern long in business and reliable. There was a 1st and 2nd mortgage on the house and the seller agreed to take a 3rd mortgage for one year after which a new mortgage was to be arranged. The sales contract read that way and the buyer took it for granted that, after the year was up, he could arrange a new mortgage in accordance with the contract.

The seller of the house assigns his 3rd mortgage to another man as collateral for a $1,000 loan which he cannot pay back when the mortgage becomes due and this third party demands payment of the entire mortgage from the owner of the house.

Now, the owner takes his sales contract to a lawyer only to find that the contract has no standing in court because it does not state for how long this new mortgage is to be for and this agreement was not inserted in the mortgage paper itself.

Now, we will not discuss the mistake the buyer made by not seeing a lawyer before purchasing. I will grant everything that might be said with regards to that. I wish to bring to your attention the gross injustice brought upon the unfortunate sick man and his family as a result of this seeming trickster which will result in foreclosure and make his family practically penniless. He cannot pay this mortgage and the seller seems to be in league with the party to whom he assigned the mortgage to demand payment. Legally, they are able to do all this, but morally it is the rankest form of robbery that can be perpetrated and that robbery on a tubercular man and his family who are thus made to suffer. Perhaps this trouble and misery it will bring may be the deciding factor as to whether this man is to get well or not.

If such cases of similar unfortunate ones were forcibly brought to the attention of the general public through some daily newspaper such as *"The Evening World,"* which has a home owner's page in their Saturday issue, perhaps enough enthusiasm could be aroused to force our legislature and those of the entire country to pass laws that will be a protection to home owners under foreclosure proceedings.

I hope that you will continue your articles in the magazine of which I am a subscriber, in order to bring this matter to the attention of as many readers as possible. If there is anything I can do to help bring about publicity in this matter, I would appreciate any suggestion from you or readers of your magazine.—L.-J., Saranac Lake, N. Y.

The weak points in Mr. L. J.'s case will be immediately apparent. What is to us its strongest point seems equally apparent, viz., that whether through their own ignorance or through trickery, some men can easily be led to place reliance in mortgage "arrangements" which arrange nothing quite so surely as their own doom. Perhaps we cannot remedy such ignorance by legislative enactment, perhaps we cannot even reduce the benefits to be derived from preying upon it. But it won't hurt us to try.

Incidentally, the publication of Mr. Morman's article, and the letters it aroused, may do much good even though no positive action in the matter be taken. The thousands of actual and prospective home owners may learn from what they have seen here of the pitfalls which loosely-drawn mortgage agreements involve, and may be led to submit these agreements to independent authorities in whom they know reliance may be placed.

Points for Income Builders

Definitions of a Few of the More Frequently Heard Financial Terms

THE well-managed corporation makes a practice of deducting, from each year's earnings, certain sums of money known as "charge-offs" to the account of depletion, depreciation or obsolescence. The meaning of these three terms is defined in the following:

Depreciation

Depreciation is a charge-off made to offset the loss in the value of machinery, tools, fixtures, furniture, etc., of a manufacturing plant resulting from the wear and tear to which such objects have been subjected during the period covered. The justification for this charge-off lies in the obvious fact that machinery, etc., which has been used (or lain idle) for a period of time will not be as valuable as new machinery and could not be marketed at its replacement value.

Depletion

Charge-offs on account of "depletion" are confined to organizations engaged in exploiting natural resources—mining companies, for example, or oil companies. Manifestly, every new ton of ore extracted from the mines of a given company will reduce its potential extraction by an equivalent amount, so a "depletion" charge is a logical offset to introduce.

Obsolescence

The value of the machinery, tools, etc., of a given plant will decline, as said above, due to wear and tear; that value may also decline if improved machinery or tools be devised which are superior to those already installed. The "obsolescence" charge-off, then, is a charge-off which takes into account such a decline in value due to such improvements. This charge-off is particularly important in lines of business where new methods and new tools are being perfected at frequent intervals.

DISTINCTLY WORTH WHILE!

Even though no positive measures result, the accompanying discussion may still serve a purpose, i. e., to emphasize to home-owners the dangers that accompany loosely-drawn mortgage agreements. The discussion may also serve to deter some would-be home-owners who contemplate biting off more than they can chew in the home-owning field.

It Can Be Done!

One Income Builder Proves That Saving Is Well Worth While

By W. W. Kent

One Man's Savings Program

Year	Salary	Saving Month	Saving Year	Total	Int.
1908	$100	$20	$240	$	6
1909	125	25	300	546	30
1910-11 ..	125	30	360	936	54
1912-13 ..	150	35	420	1,410	84
1914-15 ..	175	40	480	1,974	114
1916-17 ..	200	40	480	2,568	150
1918	250	45	540	3,258	192
1919	300	50	600	4,050	240
1920	350	60	720	5,010	300
1921	400	70	840	6,150	360
1922	450	80	960	7,476	444
1923	500	90	1,080	9,000	540
16 years..	—	—	$7,020	$9,540	2,520
1924-33 ..	500?	100	1,200	31,896	1,908
1934-38 ..	?	100	1,200	49,440	2,964
31 years..	—	—	$25,020	$52,404	27,384

AN insurance man recently told me that "no one can *save* enough to become independent." This made me think of an engineer of rather poor parents, who determined to save money as soon as he started to work.

His aim was to save about one-fifth of his income, and he has maintained this proportion fairly well. Early in his saving career he tried his hand at stock speculation and lost about $95. He says now that it is the best thing that could have happened to him, as it extinguished his "financier" ego and made him cautious. The result was that he confined his first purchases to bonds of small denominations, and now also has a few shares of several different investment stocks.

How the Plan Was Perfected

The plan of saving first employed was to buy a $100 bond as soon as he had this much saved. He soon discovered that he could keep his money working to better advantage, and could obtain a better class of bonds by purchasing them in $500 denominations. By making regular monthly payments and putting up his other bonds as collateral, he was receiving the full bond rate of interest on his savings.

At the present time he buys $1,000 bonds or about this amount of an investment stock, usually having only one security upon which he is paying. He does not aim to get the highest grade of bonds, but wants a return of about six per cent. The accompanying table shows the approximate plan and result. On some securities a loss was sustained, which was more than made up by the gain on others; the rate of interest has also varied, but a small surplus in value over the scheduled amount shows that the 6% basis is fairly correct. The total for any year is obtained by adding the yearly saving to the total and interest for the preceding year.

The Outlook

At the bottom of the table is a prospective plan for the future. It will be seen that at the end of 1923 there was a total of $9,540 available for interest of which $2,520 is the accretion due to interest. This saver now proposes to continue the same plan for 10 or 15 years and finds that if he saves only $100 per month he will have $33,800 at the end of ten years or $52,400 in fifteen years. As he is now 38 it is fair to assume that he will reach this state of independence in his early fifties if he does no better than adhere to the plan thus followed. Certainly, this proves that saving is worth while.

BYFI's RECOMMENDATIONS (For Small Investors)

NOTHING happened during the fortnight to disturb the tranquility of those who have acted upon BYFI's recommendations. If the purpose of these recommendations were to help Income Builders make market profits, space might be devoted to the gains registered in the preferred stock group; but, since it is INCOME which we are after here, the movement may be ignored.

Income Builders may be reminded at this time of the desirability of diversifying their purchases, whether or not they act upon these particular recommendations. On the other hand, the theory of diversification need not be carried to extremes. The effort should be to strike a middle course between diversification which spreads out your risk and diversification which leaves you with more securities than you can keep track of. Incidentally, in applying the theory of diversification to these recommendations, some consideration may be given to the discrepancies existing as to yields.

BYFI'S RECOMMENDATIONS for SMALL INVESTORS

$100 Bonds

	Recent Price	Yield to Mat'ity
American Water Works & Elec. Corp. coll. tr. 5s....	91⅝	6.15%
Laclede Gas 5's, '53..........	94⅞	5.85
Ohio Pub. Serv. 7s, '47......	107	6.40

Preferred Stocks

	Per Share Dividend Rate	Recent Price	Yield
American Smelting & Refining Co.	$7	103	6.80%
American Ice	6	80	7.50
U. S. Realty & Im.....	7	102	6.86
Mack Trucks 1st.......	7	104	6.73

Common Stocks

	Per Share Dividend Rate	Recent Price	Yield
Amer. Tel. & Tel.....	$9	127	7.09%

NOTE.—This table of recommendations, a new and practical feature of BYFI, will grow in size as opportunities develop. The effort will be made to keep the table up to date, and Income Builders are invited to keep in touch with it. Security is the primary aim in making the selections, but income-yield, marketability and other ordinary investment factors are also considered.

School for Traders & Investors

Forty-First Lesson

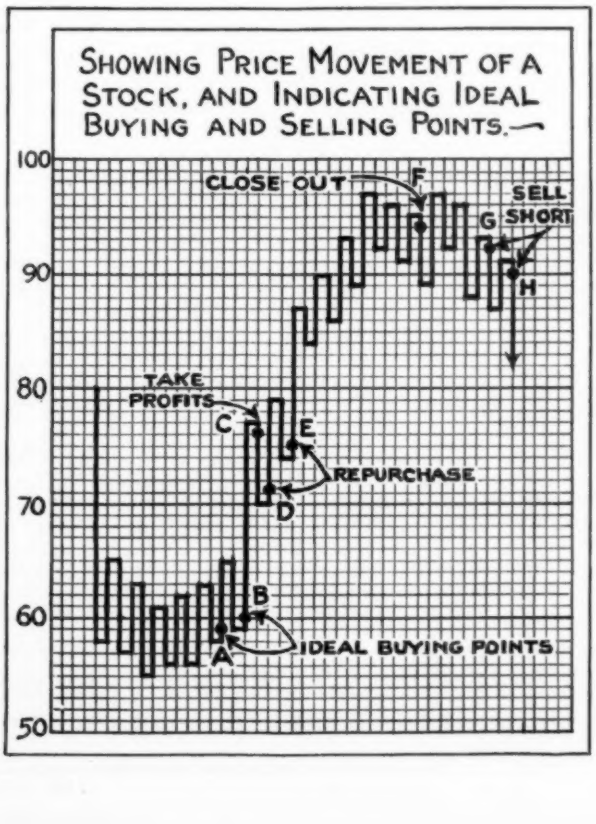
Successful Traders Know When to Sell as Well as When to Buy

HOWEVER favorable a trader's position may be on the long side of a speculative stock, a time always comes when the issue must be sold in order to avoid the reduction or loss of paper profits. Furthermore, admitting that it is illogical and risky to attempt to secure profits on the long side during a declining market, a time always comes when a stock may be sold short to advantage. Here we have two general kinds of selling, namely, closing out long stock, and selling short.

Theoretically, the ideal point for closing out long stock is also the ideal point to sell short. Practically, this is not true. When a trader closes out his long stock, he does so in order to secure his paper profits before they are wiped out by a reaction, but he is not sure that the stock will not continue to advance following a period of irregularity or hesitation. Hence, the impulse to close out is not the same as the impulse to sell short. The latter impulse usually comes after some reasonable confirmation of the supposition that the issue is about to reverse its direction.

In our last lesson, we discussed the conditions where buying could be done to greatest probable advantage. In this lesson, we desire to review the reverse proposition, which has been stated as our sixth cardinal principle of trading, briefly, "Sell during strength." Expand this brief statement as follows: *"Close out on unusual advances at first sign of hesitation; and sell short only after evidence of distribution with lower support followed by lower top."*

The accompanying graph will serve to illustrate our suggestions. Points A and B indicate ideal buying levels, in accordance with our fifth principle, "Buy only after reactions indicating higher support." As the price advances from these levels, our trader is on the lookout for any indications of hesitation, so that he may secure a fair percentage of his paper profit. Suppose the stock advances rapidly to 77, and then begins to slip back. Our trader must make a decision either to close out at once, or hold his stock through a reaction. If he closes out at point C, and the stock suddenly resumes its advance, he loses his position, and must await the next suitable buying opportunity, if any. If the stock reacts say to 70, and there meets support and begins to edge upwards again, he may buy back the stock he sold, and go long again at point D, thus marking down the cost of his original purchase by 5 points. Again, he may await further confirmation of the support between the 70-80 level, and postpone reentering the stock until it shows higher support at 74, making his repurchase at point E.



The trader's decision to close out at point C depends on his judgment as to whether the stock is likely to react from 77, and remain below this level for a considerable period, or whether it has been accumulated sufficiently around the 60 level, and has sufficient fundamental merit, to justify a price considerably above 77. If he has confidence in the ultimate destination of the issue, is well-margined, and does not care to run the risk of losing his position for the sake of a few points mark-down in price, he may hold the stock until it begins to show heaviness above 90.

Now suppose the stock has reached 97. It reacts to 92 and then resumes its advance, thus indicating higher support than it received on its dip from 93 to 89. There is no selling suggestion as yet. However, the next rally fails to go above 96, thus making the first lower top since the advance began. Here is the first maneuver deserving careful attention. The stock now reacts to 91, where it receives *support at a lower level* than on the last dip to 92. This is the second action worthy of careful attention. The stock rallies to 95, fails to reach the last top, and again slips back. Our trader decides to close out at F, on the theory that the manifestation of increasing weakness, or diminishing strength, may be the forerunner of a substantial reaction.

Closing out at point F was justified. However, a short sale at F may or may not be warranted, depending on the amount of distribution that has taken place between 90 and 97. At this stage, in any event, a short sale should be protected by a stop a little above 97, for if the stock again meets support somewhere below point F, and is able to advance beyond 97, it may have sufficient strength to proceed much higher, on the theory that all of the stock disposed of at and below 97 has been re-absorbed, and the floating supply has

(*Please turn to page 963*)

SERVICE SECTION

ANSWERS TO INQUIRIES

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The inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. As a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. The inquiries presented in each issue are only a few of the thousands received—43,000 in 1923. The use of this personal inquiry service in conjunction with the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

GREAT NORTHERN ORE

A Switch Suggested

I hold 100 Great Northern Ore certificates bought in 1922 at 42. What would you advise?—A. J. F., Chicago, Ill.

Great Northern Iron Ore earned approximately $3 a share on the certificates in 1923. In the current year, however, shipments of ore have not been at as high a rate as in the past year, and it is probable that earnings for 1924 will show a decline. Under the circumstances, we do not feel that the stock is entitled to any early advance from present levels, and that you would have a better chance to recover your loss in some other issue. We suggest a switch into Hudson Motors, paying $3 a share per annum and selling around 27. This company is in strong financial condition, and earnings are running at the rate of better than $5 a share on the stock.

GILLETTE SAFETY RAZOR

Splitting Up of Shares

About three years ago I bought 20 shares of Gillette Safety Razor at about 250 a share, but I never see it quoted in the stock market and get a rather vague quotation of 300-320 from my broker. I am satisfied with it as an investment, but I would like to know something more about its business than what I get from the company in its annual returns; also I would like to know where I can get a good line on whether the distribution of additional stock on December the first is in my interest or not.—R. A. D., Philadelphia, Pa.

Gillette Safety Razor stock is actively traded in on the New York Curb market. Recent sales have been around 330. This company has an excellent record over a long period of years, earnings showing a steadily increasing tendency. In 1923, nèt profits were 8.4 million dollars, and it is estimated that in 1924 close to 10 millions will be earned. A capital readjustment plan recently announced provides that on December 1st shareholders will receive 4.7 additional shares of stock for each share held, which will increase the outstanding shares to 2 million. It is proposed to begin dividends on the new shares at the rate of $2.50 annually, and as earnings are at about twice the rate of this dividend disbursement, it is probable that extra dividends can also be paid from time to time. While the stock has had a very remarkable advance in the past few years, it is not without possibilities of ultimately appreciating still further in value. The splitting up of the shares can be considered as a favorable development for the stockholders, as the dividend rate on the new shares is greater than that now being paid. Moreover, the new stock can be expected to have a better market, as it will sell at a price more in line with popular demand. Gillette Safety Razor is not dependent on patents for its present prosperity. The original razor and blade patents expired in 1921. Inasmuch as you now have a large profit in the stock, we consider it good policy to sell part of your holdings and thus mark down the cost of the remainder.

PRAIRIE OIL & GAS—AMARILLO OIL PRODUCERS & REFINERS

How are my holdings affected by the Amarillo merger? I notice that the President of Prairie Oil & Gas is also the president of Amarilla Oil and that the enlarged company has taken over 300,000 acres from the Producers & Refiners. Where do the stockholders fit in?—R. E. G., Detroit, Mich.

Prairie Oil & Gas Company controls Producers and Refiners through ownership of the majority of stock. The latter company owns leases on about 300,000 acres of improved oil and gas territory in the Amarillo Field, and these holdings, together with holdings of other companies, are to be transferred to the Amarillo Oil Company. This is not to be considered an unfavorable development for Prairie Oil & Gas stockholders, as the company will have a large interest in the Amarillo Oil Company as no important property has been given up without due compensation therefor. Prairie Oil & Gas is a very strong company and, while earnings have fallen off recently due to the lower prices prevailing for oil, it is in a position to make heavy purchases of crude at present low prices and hold for a better market which is anticipated next year. We consider the stock a good long-pull holding.

TRANSCONTINENTAL OIL

Interested in New Fields

When Transcontinental Oil was first put out I made a nice profit by trading in it. When it got below 30 I figured it had reached the bottom—and I have been an unwilling stockholder ever since, for I took up my speculative holdings. Were I to sell now, my losses would be several times my earlier profits. The newspapers appear to think the company is coming through. What do you think?—E. L. K., New York, N. Y.

Through the sale of new stock early this year, Transcontinental has strengthened its financial condition. This has enabled the company to be more active in its drilling operations and it has been successful in bringing in production in the new Colorado Field which appears to have very interesting possibilities. It is also interested in Regan County, Texas, where several promising wells have been brought in. While the stock is highly speculative, the outlook appears somewhat improved in view of recent developments. We do not believe it would be advisable to sell out now and accept the large loss this commitment shows you.

MAXWELL MOTORS

Making Substantial Profits

I have a moderate profit in Maxwell Motors sufficient to make me willing to take a chance on something else, unless there is a possibility of getting 15 or 20 points more out of this stock within the next six or eight months. What is your advice.—L. K. P., Detroit, Mich.

The new Chrysler Car which was brought out by Maxwell Motor this year has been the outstanding success of the automobile year, and as a result Maxwell Motor is now showing very substantial profits. Indications are that profits

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will continue on a very satisfactory basis for some time to come. Early this year, the company funded its short-term notes and is now in strong financial condition with about 4 millions cash on hand. As earnings are at the rate of four to five times the $8 dividend to which the A stock is entitled, it would appear that dividends on this issue are not far off. As an $8 dividend payer, the stock would be entitled to considerably higher prices than those current. In your letter you do not state whether you hold the A or B stock. While we do not care to predict how far any stock may advance, we believe that both these issues have good prospects of selling higher and that from a speculative viewpoint you would be justified in retaining your shares.

NATIONAL ACME
To Reduce Par Value

What is the outlook for National Acme? I have some of this stock which cost me 16½, which is about three times what it is worth today. It is proposed to reduce the stock from $50 to $10. What is the idea of a movement of this sort? Would it reduce the value of my stock proportionately or does it work the other way? I believe the average stockholder is just as much confused over this as I am.—C. M. E., Boston, Mass.

National Acme Company proposes to reduce the par value of its shares from $50 to $10. The balance sheet of the company at the close of last year showed 14.8 millions in patents and good will, and apparently the company's idea in reducing the par value of the stock to $10 is to eliminate this item from the balance sheet and bring the par value of the stock down to a figure that will be more in line with its actual value. This development is of no particular importance to shareholders one way or the other as the number of shares outstanding will not be changed and stockholders will retain the same proportion of interest in the company. While the company was able to show good profits during the war and inflation period, results since that time have been very unsatisfactory. In 1921, there was a deficit of 3.7 millions, in 1922 a deficit of $805,000 and in 1923, which was a much more favorable year in general, only 96 cents a share was earned on the stock. The last published report covering the quarter ended June 30th, 1924, showed a loss of $249,000. While the stock may have speculative possibilities at present levels of 5½, it is our opinion that you would do better to sell out and purchase Wright Aeronautical selling around 12 and paying $1 per share in dividends. By making this switch you receive an immediate return on your investment and have a stock which, in our opinion, has better prospects for enhancement in value.

CERTAIN-TEED PRODUCTS
Sale of Stock Authorized

Please advise me regarding my holdings of Certain-Teed Products common, bought at 55 in 1920. What is the meaning of the new stock issue and how is it likely to affect the value of my holdings?—C. M. C., Baltimore, Md.

Stockholders of Certain-Teed Products Company have authorized the issuance of

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Opportunities for Profit in Preferred Stocks and Bonds

A Few Suggestions to a Subscriber Who Is Looking for Appreciation in Market Value, But Wishes to Avoid the More Speculative Common Stocks

I believe that Coolidge will be re-elected President, and that this will mean an increase in business activity throughout the country, resulting in a good security market, with worthy issues advancing to higher levels. While I have never been a speculator in stocks and do not propose to begin now, I should like to participate to some extent in the increased values which I believe are coming, and am writing to ask you to suggest a few stocks or bonds that have a certain amount of investment merit but which may be expected to appreciate in market value under favorable conditions. I am considering Seaboard Air Line adjustment 5s. What do you think of this issue?—S. T. G., Newark, N. J.

We consider that good opportunities for profit exist in a number of issues of preferred stocks and bonds which may be classed as a good business man's investment. Complying with your request, we mention below a few issues of this character which appear attractive at present prices:

Seaboard Air Line adjustment 5s.—Surplus after charges of this road in 1923 was equivalent to twice the interest charges on the adjustment 5s, and earnings so far this year have been at the rate of three times interest requirements on these bonds. Seaboard Air Line has been greatly benefited by the development of Florida as a winter resort, and has also made substantial progress in improving the condition of its equipment so that its operating ratio is steadily being lowered. Interest accruals on the adjustment 5s total 12½%, and this must be paid up before the stockholders can receive a return. The adjustment 5s mature in 1949, and taking into consideration the back interest due, the return at present levels of 64 is over 10½% to maturity.

American Waterworks & Electric 6% participating preferred.—This issue is now paying dividends at the rate of 6%, and after the common receives 6%, shares equally in any further disbursement. Earnings of the company are now at the rate of about $11 a share on both issues. The common stock is selling at 120, whereas the preferred can be purchased around 90. This large difference in price is explained in part by the fact that the preferred stock can be retired at 105, and for that reason possibilities for profits are more limited than in the case of the common. We consider it likely that before long the 6% preferred will be retired at 105, which would give a very substantial profit to the purchaser at present levels; and while waiting for this event to transpire, a substantial return would be secured on the investment.

Illinois Central 6% preferred.—This stock is entitled to a high-grade rating, and at present levels of 110, returning 5.5%, is not unattractive from the viewpoint of return alone. The stock has prospects of substantial appreciation in value, as it is convertible share for share into common stock, which is paying 7%, and is now selling at approximately the same price, 110. Illinois Central earnings this year are at the rate of 17% on the common stock, and as its extensive program of improvements will be in large part completed this year, it is probable that a more liberal dividend policy will be adopted in 1925. Higher prices for both common and preferred stocks are indicated.

IN THE BANKING WORLD

View of Main Banking Floor — *Equitable Trust Co. of New York*

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

Is the Demand for Bank Credit Increasing?

Many Factors Point to Greater Banking Activity—View of Foreign Bankers—Changing Investment Position

WHILE most bankers and business men have not for some time past been inclined to give more than incidental thought to price tendencies, recent conditions are showing that the coming autumn season may once again bring the price problem forward into a prominent relationship to banking. Exactly what will be the result of such a development it is of the utmost importance to the entire business world to determine. In so doing, analysis should be made of a number of factors which have in recent months been generally neglected.

Fundamental in this whole situation is the general trend of prices. During the past year, there has been a more definite stability than had existed for a good while. Early in the season, general price indexes showed some increase, but this was followed, starting from about April, by a steady decline, which carried the average index down to about 145. This was some 4 or 5 points lower than at the corresponding date a year ago, and, in the opinion of many, represented the result of influences strongly tending towards business depression, since, as is well known, steadily declining price levels almost invariably accompany slackening business and imply the arrival of a period of shortened or destroyed prosperity.

Of recent weeks, however, increases in the price index have been noted. The July index was up 1.3 points, and the August figure will probably show a corresponding advance. Private price indexes brought up near to the close of August show an advance of almost 4 points. This is a condition of affairs which has an important relationship to banking and credit, and in that way has direct connections with the general position of business or prosperity. The apparent reversal of the price trend has been noted with great interest abroad and positive predictions are now made by sundry of the more important British bankers that commodity

prices will advance in the United States during the next few months in so marked a way as to help put sterling back to a point very close to par. It is interesting to observe as a coincidence that sterling which has been only about 7 or 8% below par for some time past, has been on the whole rising about in sympathy with the advance in prices. Should that parallel movement continue, the expectations of British financial authorities may easily be fulfilled before the close of the year.

All this makes the effort to forecast the probable movement of prices exceptionally interesting, at the present time particularly, because of its influence on the banking situation. Should the upward movement continue, it may be expected, as in the past, that larger amounts of credit will be required to "carry" a given volume of goods; while, so soon as the upward movement is definitely recognized as a fact, advanced buying in sundry lines is nearly certain to set in, business men endeavoring to protect themselves against the possibility of loss on existing contracts due to increase in raw material.

This growth of the speculative tendency is also observable in the case of cotton where it has been somewhat aggravated by the fact that frequent and varying Government reports as to the output of cotton have tended to increase the feverishness of speculation, buyers endeavoring to protect themselves against possible changes in the cost of textile raw materials.

This article is of particular importance to business men and investors as well as bankers. It gives the underlying features which may turn the entire direction of the money market and discusses the possible effects on the business world of this country.

Some Important Price Factors

There are some important price factors that deserve careful consideration. One of these is the reduction in the supply and acreage of some classes of agricultural products. Cotton, for example, was carried over in only a small amount from last year and this year's operations are expected to result in an even more serious deficit unless the forecasts of an exceptionally large crop should turn out to be fully justified, which they are hardly likely to be, although recent government estimates point to a yield of 13,000,000 bales or near it. Reduced acreage and yields of cereals make for higher prices in that branch of business, notwithstanding good yields in some of the foreign countries. Higher agricultural prices all around naturally tend to raise the general index of prices.

In industrial fields comparatively small stocks of manufactured goods have been carried; and labor costs have, on the whole, risen. Most enterprises are doing business on a very narrow margin of profit, and have been in that position for some months past. One result of this situation has been to stimulate the disposition to raise the price of manufactured goods, in order to provide a rather better margin of earnings for dividends and reserves. The attempt has not been successful in all fields, but it is being definitely made in a good many, among them in such important industries as steel and iron, building materials, automobiles, and several others. If this endeavor is successful, the influence originating in agricultural prices would become much more general; and might easily operate to put the index representing all commodities very decidedly ahead. Besides these factors in the situation originating on the commodity side of the price equation, should also be observed the influences proceeding from the banking and credit side of the case, and based upon the unusual abundance of available funds.

Cheap and "Abundant" Money

So much has been said about the great accumulation of gold in the United States that it does not need to be insisted upon any further. One phase of the situation which, however, has not been very carefully discussed is found in the use that is being made of the gold that is now coming into the country as well as of other funds. For a long time, as gold came in it went into the reserve banks, being used there to pay off the rediscount accommodations which members had obtained. This movement has been greatly reduced as discounts have fallen away, for they are now down to about $260,000,000 or lower, except for temporary fluctuations, than for a great while past. Since reserve banks do not pay interest, there has been no inducement for those banks which received deposits of funds from abroad to redeposit them with the reserve institutions. They have, therefore, been disposed to keep the cash in their vaults or to pay it out for securities which they hold upon an investment basis.

One effect of this policy is to aid materially in the advancing of securities prices, as is already noteworthy in the stock and bond market. In addition to that, however, the effect of what has been going on is to put much more money into circulation, with the result that there is undoubtedly a tendency to price advance proceeding from the monetary side of the case. When this is coupled with the commercial policies already indicated, it is obvious that some strong forces are at work on both sides of the price equation to put prices ahead, and to bring about the greater activity which always results from a similar state of things when values are rising.

These factors are the ones which have attracted the attention most directly on the part of British and Continental bankers who are strongly inclined to think that a fresh era of price advance, with accompanying activity, is setting in on this side of the water. The reaction of the situation on stocks is, of course, obvious, price advances on the whole tending to bring about securities advances, at least for the time being, particularly if the price advances result in enabling producers even for the moment to make a more favorable earnings showing. This is a phase of the situation which is quite independent of the purely stock-market factors that go to make up a "bull market."

Caution to Bankers

Conditions at any given date are very seldom exactly parallel to those which have existed at any time in the past, but there is a certain degree of similarity between the status at the present moment and that which prevailed at the opening of the inflation which led up to the panic and depresison of 1921 and 1922. At that time, the worst difficulties which had to be met and overcome by the banks grew out of the fact that they had loaned so heavily upon commodities, or with com-

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RESOURCE ITEMS OF BANKS IN LEADING CITIES

(In thousands of dollars)

	Aug. 20, 1924	Aug. 13, 1924	Feb. 20, 1924	Aug. 22, 1923
Number of reporting banks	747	747	758	769
Loans and discounts, gross:				
Secured by U. S. Government obligations	193,644	190,272	229,228	227,398
Secured by stocks and bonds (other than U. S. securities)	4,315,746	4,279,161	3,848,626	3,616,145
All other loans and discounts	7,941,846	7,933,603	7,848,667	7,832,964
Total loans and discounts	12,451,236	12,403,036	11,926,521	11,676,507
Total loans and discounts and investments	17,518,610	17,435,715	16,420,788	16,211,346

Trade Tendencies

Business Recovery Maintained

Irregularities Noted But Underlying Tendency Is Upward — Prices Rising

THE TREND IN MAJOR INDUSTRIES

STEEL—Marked price unsettlement follows abandonment of "Pittsburgh Base" as standard for fixing quotations. Buying not up to August totals. Operations are stabilizing around 60% of capacity.

METALS—Copper market has weak undertone as domestic and foreign consumers withhold orders. Brass and copper products manufacturers cut prices.

OIL—Crude oil still unsettled by intermittent price cuts. Gasoline is soft but lubricants, gas oil and kerosene are firmer. Position of industry generally unchanged.

COTTON—Cotton stages strong rally. Demand for raw material somewhat stronger as result of improvement in finished goods trade. Manufacturers not likely to follow advances very far.

MOTORS—Production for September will probably show 10% gain over August. Feature of situation is that manufacturers are increasing output only as retail sales permit. Industry in good position.

COAL—Conditions in the coal industry are gradually improving and indicate further recovery from summer depression. Production is up and prices are becoming firmer.

LEATHER—Manufacturers of shoes are increasing operations as a result of better conditions in the trade. Leather market showing improvement and hides are strong.

PAPER—Consumption of paper shows marked gain with mills increasing output, in many cases to capacity. Prices are firm and tending higher.

SHIPPING—Seasonal movement of grain stimulates demand for cargo space but conditions are otherwise unchanged.

TEXTILES—Production at cotton and woolen mills shows some gain. Consumption is expanding moderately, though largely seasonal.

SUMMARY—Volume of business is, on the whole, increasing, though in some measure, below expectations. The universal tendency to gauge production by the yardstick of current demand makes for many irregularities in manufacturing lines but, viewing the situation broadly, there seems no reason to alter expectations of further gradual improvement.

STEEL

Prices Unsettled

NO single development in months has created so much discussion and uncertainty as the Steel Corporation's decision to scrap the practice of quoting prices on a Pittsburgh base in conformity with the Federal Trade Commission's recent command. Naturally, a great deal of confusion has been generated by the change, and buyers, not knowing what the new order of things portends, have cut their demands to the minimum until the situation shall have had an opportunity to clear.

The volume of September orders, consequently, will probably show a decline compared with August. Steel-mill operations already show the effect of this unsettlement in that production is no longer gaining, although it appears to be stabilizing around the best levels reached on the recovery from recent depression.

It is generally felt that the industry will do better so soon as new price schedules have been worked out and circulated among consumers, the current confusion being regarded as temporary. Meanwhile, it is evident that the market, insofar as prices are concerned, and making due allowance for existing chaos, is no firmer: the new quotations will probably show no material improvement.

It is conceded in most quarters that the leading interest, because of the extensive ramifications of its plants, will benefit from the new régime, while some of the smaller producers may find themselves handicapped.

COMMODITIES

(See Footnote for Grades and Unit of Measure)

	1924 High	1924 Low	*Last
Steel (1)	$40.00	$36.00	$36.00
Pig Iron (2)	23.00	19.00	19.00
Copper (3)	0.14	0.12⅛	0.13
Petroleum (4)	4.50	2.85	2.85
Coal (5)	1.90	1.88	1.90
Cotton (6)	0.35¼	0.23¼	0.24¼
Wheat (7)	1.38¼	1.01	1.38¾
Corn (8)	1.20⅜	0.74	1.06
Hogs (9)	0.09⅞	0.06¾	0.09⅞
Steers (10)	0.10½	0.09	0.10½
Coffee (11)	0.18⅝	0.10¾	0.18⅝
Rubber (12)	0.28⅛	0.17⅝	0.28⅛
Wool (13)	0.59	0.50	0.59
Tobacco (14)	0.24	0.22	0.22
Sugar (15)	0.07½	0.04¼	0.06
Sugar (16)	0.09	0.06⅜	0.07⅛
Paper (17)	0.04	0.03⅝	0.03¾

* Sept. 29.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky,—per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

MOTORS

Outlook Encouraging

The year has advanced sufficiently to make safe the prediction that 1924 will come second only to 1922 as a record-breaker for automobile production. Output of passenger cars for the first eight months of the current year totaled 2.04 million compared with 2.34 million for all of 1923 and 3.64 million for the year previous to that. Plant activities touched the low point in June with an output of 217,927 passenger vehicles. Since then continuous progress has been made. July production registered a gain of 6.9% over June while August brought an improvement of 5.2% over the July figure. Present indications are that September will show a further expansion of approximately 10%.

The summer let-down laid the foundation for the current up-turn, since it gave manufacturers and dealers the necessary breathing spell in which to trim inventory accounts down to normal proportions. It also permitted readjustment of price

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New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1923		1924		Last Sale	Div'd $ Per
RAILS:	High	Low	High	Low	High	Low	High	Low	Oct. 1	Share
Atchison	125¾	90¼	111¼	75	108½	91¾	109	97½	107¼	6
Do. Pfd.	106¾	96	102½	75	95½	72	93½	86½	†91¼	5
Atlantic Coast Line	148½	102½	126	79¾	127	77	138	112	135¼	8
Baltimore & Ohio	122¼	90⅜	96	88¼	60¾	27⅝	65	52⅛	63⅜	5
Do. Pfd.	96	77¾	80	48¼	66¼	38½	61¾	56¼	59⅞	4
Canadian Pacific	283	165	220¼	126	170⅞	101	154½	142¾	148½	10
Chesapeake & Ohio	92	51¾	71	35¾	79	46	92¾	67¾	85⅜	4
Ches. & Ohio Pfd.	..	..	..	..	105⅝	96	109⅛	99½	†102½	6½
C. M. & St. Paul	165⅜	96¾	107⅛	35	52¾	11¼	18⅛	11¾	12⅝	..
Do. Pfd.	181	130½	143	62½	76	20⅛	30¼	19½	21⅛	..
Chicago & Northwestern	198⅜	128	136⅞	85	105	45⅞	64¼	49¼	62⅜	4
Chicago, R. I. & Pacific	..	..	45¾	16	50	19⅛	36¾	21½	34¼	..
Do. 7% Pfd.	..	..	94¾	44	105	64	91	73¾	89⅞	7
Do. 6% Pfd.	..	..	86	85¾	93¾	54	79⅛	65⅝	78¾	6
Delaware & Hudson	200	147½	159½	87	141½	88¼	134¾	104½	128¾	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	143⅜	110¾	138	6
Erie	61¼	33½	59½	18¾	22¾	7	35⅜	20¾	27½	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	42⅞	28⅝	38⅛	..
Do. 2nd Pfd.	39⅛	19½	45⅜	13⅛	27¾	7⅛	42	25⅛	†38	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅜	60⅝	69⅜	53¾	63¾	5
Illinois Central	162⅛	102¾	115	85¾	117½	80⅞	114½	100⅛	111½	7
Kansas City Southern	50⅛	21¾	35⅛	13½	28⅞	13	24⅛	17¾	21¼	..
Do. Pfd.	75½	56	65½	40	59½	40	56	51⅜	54⅛	4
Lehigh Valley	121¼	62½	87⅛	50¾	72	39¼	72⅜	39½	63¼	3½
Louisville & Nashville	170	121	141⅞	103	155	84¼	101¾	87⅝	98½	6
Mo., Kansas & Texas	51⅛	17½	24	8⅛	*19¾	*¾	16½	10½	15⅞	..
Do. Pfd.	78¾	4J	60	6½	*48¾	*2	49	29¾	47¾	..
Mo. Pacific	*77½	*21½	38⅛	19⅞	38⅞	8⅛	21½	9¾	21⅞	..
Do. Pfd.	..	..	64⅞	37½	63¾	22¼	58½	29	58⅜	..
N. Y. Central	147¼	90⅜	114¼	62½	107¼	64⅛	110⅝	99⅛	107½	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¼	121	72½	114⅛	6
N. Y., N. H. & Hartford	174¾	65⅜	89	21½	40⅞	9⅝	30⅛	14⅛	25	..
N. Y., Ont. & W.	55⅜	25⅛	35	17	30½	14¼	23⅝	16	22⅝	..
Norfolk & Western	119⅛	84¼	147⅛	92⅜	125⅛	84¼	132½	102½	125	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	49¾	67¾	47⅞	65¼	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	46¾	42¼	45	3
Pere Marquette	*36½	*15	38⅛	9½	47⅛	12⅛	68⅛	40½	60¾	4
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	64¼	38	51½	..
Reading	89⅜	59	115½	60⅛	108	60¾	79	51⅞	62⅛	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	34¼	35⅛	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	56	33⅛	†34¾	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	31⅜	19⅛	30¼	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	45⅝	33	44	..
Southern Pacific	139⅛	83	110	75¾	118⅜	67½	97⅞	85½	94¾	6
Southern Ry.	34	18	36¾	12½	38⅝	24¾	70⅝	38½	68¾	5
Do. Pfd.	86⅞	43	85½	42	72½	42	76¾	66¾	76	5
Texas Pacific	40½	10¼	29½	6½	70½	14	39¼	19	36⅜	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	147⅞	126⅝	139¾	10
Do. Pfd.	118½	79¾	86	69	80	61¼	76½	70	†72½	4
Wabash	*27⅞	*2	17½	7	14⅜	6	17⅜	10¾	16	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	47¾	34	44⅝	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	32¾	22½	31	..
Western Maryland	*56	*40	23	9¼	17¼	8	13¾	8⅜	11⅞	..
Western Pacific	..	..	25½	11	40	12	25¼	14¾	23⅝	..
Do. Pfd.	..	..	64	35	78	51½	73⅞	58	†71⅝	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¾	6	15⅛	7½	12¾	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	89½	73½	†87	6
Allied Chem.	..	..	..	..	91¾	34	79	65	73½	4
Do. Pfd.	..	..	..	..	115½	83	118¼	110	†97½	7
Allis-Chalmers	10	7⅜	49⅛	6	59¾	26½	66½	41⅝	61¼	4
Do. Pfd.	43	40	92	32½	104	67½	100⅝	90	99	7
Am. Agr. Chem.	63⅜	33½	106	47¾	113¾	10⅛	17⅛	7⅛	12¼	..
Do. Pfd.	105	90	103½	89⅛	103	28¼	49⅝	18¾	34½	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	36	40½	4
Am. Bosch Mag.	..	..	..	..	143⅞	22⅞	38⅞	22¼	28⅝	..
Am. Can	47⅜	6⅞	68½	19¾	107⅝	21¼	138⅛	95⅞	133	6
Do. Pfd.	129¾	98	114½	80	115	72	116½	109	116	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	178	153½	168¾	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125	118¾	†119	7
Am. Express	300	94¾	140½	77½	175	76	122½	85	†118	6
Am. Hide & Leather	10	8	22⅛	2⅛	43⅛	5	13⅝	7¼	10	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	66½	50½	64	..
Am. Ice	..	..	49	8⅜	122	37	96	72	79⅛	7
Am. International	..	..	62¾	12	132¾	16	29⅞	17⅜	26½	..
Am. Linseed	20	6⅞	47¼	20	95	13	22⅜	13¾	20	..
Am. Loco.	74¾	19	98¼	46⅛	136¾	58	83¾	70⅛	80½	6
Do. Pfd.	122	75	109	93	122¾	96½	120¼	116¼	†119	7
Am. Safety Razor	..	..	..	..	22	3½	8⅞	5⅞	8¼	.50
Am. Ship & Com.	..	..	..	..	47½	4⅛	15⅛	10⅜	10½	..
Am. Smelt. & Ref.	105½	56⅜	123¾	50⅛	89¾	29⅝	78½	57½	73¾	5
Do. Pfd.	116¾	98¼	118⅛	97	109⅜	63⅛	105	96	†103	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅛	33½	36⅜	3
Do. Pfd.	..	..	..	..	107	78	106¾	101¼	106⅛	7
Am. Sugar	136⅜	99⅞	126½	89⅛	148⅜	47⅛	61¾	38⅝	46½	..
Do. Pfd.	133½	110	123½	106	119	67½	99⅞	79	†89¼	7
Am. Sumatra Tob.	..	..	145¾	15	120½	16	28½	6⅜	7½	..
Do. Pfd.	..	..	103	75	105	82½	69	22½	†24	..
Am. Tel. & Tel.	153⅛	101	134½	90⅜	128¾	92⅛	180⅞	121⅛	127⅛	9
Am. Tobacco	*530	200	256	123	314½	104⅛	167½	136⅝	161⅛	12
Do. B.	..	..	..	..	210	100⅛	106½	101	104¾	6
Am. Woolen	40⅜	15	60⅞	12	169½	55½	78⅞	51¼	57½	..
Do. Pfd.	107⅜	74	102	72½	111⅞	88½	102⅝	95½	96	7
Anaconda	54⅜	27½	105⅜	24¼	77⅜	30	42	28½	36⅜	..
Associated Dry Goods	..	..	28	10	69	48	122	79	121⅛	5
Do. 1st Pfd.	..	..	75	50½	89	49⅞	92	83½	†90½	6
Do. 2nd Pfd.	..	..	49½	35	93½	38	99	89	†98	7
At. Gu'f & W. I.	13	5	147¾	4½	192⅝	9¼	21⅝	10¾	16	..
Do. Pfd.	32	10	74¾	9⅞	76½	6⅜	27⅜	12¼	†22	..
Baldwin Loco.	60¾	36½	154½	26⅜	156⅜	62¼	131	104⅜	122⅞	7
Do. Pfd.	107½	100¼	114	90	118	92	116	111	†112	7
Bethlehem Steel B.	*51⅜	*18¾	155½	59¾	113	41⅛	62½	41½	43¼	..
Do. 7% Pfd.	80	47	186	68	106	87	97	89½	93¾	7
Do. 8% Pfd.	..	..	110½	92½	116¾	90	110⅜	102	†107	8

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-1923 High	Post-War Period 1919-1923 Low	1924 High	1924 Low	Last Sale Oct. 1	Div'd $ Per Share
Burns Bros. A	45	41	161½	50	147	76	112½	97½	109	10
Do. B	..	..	..	..	53	21½	27	19⅝	†23¼	2
Calif. Packing	..	..	50	30	87½	48¼	29¼	19½	22½	1¼
Calif. Petro.	72½	16	42⅝	8	71⅞	15¼	107	92½	9o½	7
Calif. Petro. Pfd	95½	48	81	29½	110½	63	17⅞	9⅞	14¼	..
Central Leather	51¼	16½	123	25⅞	116½	9⅛	52¾	29¼	47	..
Do. Pfd	111	80	117½	94⅞	114	28⅛	49¼	40¼	45¼	4
Cerro de Pasco	..	..	55	25	67½	23	66½	34½	36¼	3
Chandler Mot.	..	..	109⅞	56	141¼	36⅛	35½	25⅝	32⅜	2½
Chile Copper	..	..	39¼	11¼	30⅛	7⅛	23⅛	15	19⅝	..
Chino Copper	50⅜	6	74	31⅛	50⅞	14¾	78½	61	77	7
Coca Cola	..	..	..	..	83⅛	18	44½	33	42⅝	2.60
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	30¼	22⅛	11⅛	19	..
Consol. Cigar	..	..	..	..	80	13½	75¼	60⅞	72⅞	5
Con. Gas	*165¼	*114½	*150½	*112⅜	*145¼	56¼	37⅞	31½	36⅝	4
Corn Prod	26½	7⅛	50½	7	160½	46	123¾	115⅛	123	7
Do. Pfd	98½	61	113½	58⅛	122¼	96	71¾	48	56¼	4
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	18	11¾	13½	..
Cuba Cane Sugar	..	..	76⅛	24⅞	59⅛	5⅛	38⅞	28½	31½	3
Cuban-Amer. Sugar	*58	*33	*273	*28	*605	10⅞	67½	55⅞	†64	5
Endicott-Johnson	..	..	..	..	150	44	115	108	109	7
Do. Pfd	..	..	..	..	119	84	87½	61	83½	5
Famous Players	..	..	..	..	123	40	97¾	87⅞	97¾	8
Do. Pfd	..	..	..	..	107⅛	66	13⅞	7½	8⅜	..
Freeport Tex	..	..	70½	25¼	64⅛	9½	47⅜	31⅜	42⅝	..
Gen'l Asphalt	42⅞	15½	39⅛	14¼	160	23	281	193½	260¼	‡8
Gen'l Electric	168½	129⅜	187⅛	118	202¼	109½	61¾	60	60¼	1.20
Gen'l Motors	*51⅛	*25	*850	*74½	42	8⅛	88	80	88½	6
Do. 6% Pfd	..	..	99½	72⅛	95	63	88	80⅛	88	6
Do. 6% Deb	..	..	..	..	94¼	60	98½	95⅛	98⅞	7
Do. 7% Pfd	..	..	..	..	105	69	32¼	17	31⅜	..
Goodrich	86½	15½	80⅛	19⅝	93⅛	17⅛	85¾	70¼	70¼	7
Do. Pfd	109¾	73⅛	116¼	79⅞	109½	62½	31½	26	30	3
Gt. Nor. Ore	88½	25½	50⅛	22½	52¾	24⅞	82½	61	73	..
Houston Oil	25½	8¼	88	10	116½	40½	30	20½	27¾	3
Hudson Motors	..	..	..	..	32¾	19½	18	11⅛	14¼	1
Hupp Motors	..	..	11⅛	2½	29½	4⅝	29⅞	22⅛	24¼	..
Inspiration	21⅛	13⅞	74¾	14½	68⅞	23¼	11¼	6¾	9¼	..
Inter. Mer. Marine	9	2⅛	50⅛	⅝	67¼	4⅞	43½	26½	40¼	..
Do. Pfd	27⅝	12½	125⅝	8	128½	18½	19¾	11½	18	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	10⅛	59	34½	49	..
Inter. Paper	19¾	6½	75½	9½	91¼	27⅞	16⅞	10½	13	..
Invincible Oil	..	..	..	..	47¼	5½	35	9¾	18⅝	..
Kelly Springfield	..	..	85¼	36⅞	164	20½	58	65	56	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	49⅜	34⅛	46	3
Kennecott	..	..	64¼	25	45	14⅛	68¾	56	60½	4
Lima Locomotive	..	..	..	..	74⅞	52	18	15⅛	17⅛	2
Loews, Inc	..	..	..	..	38⅛	10	8¾	5½	6½	..
Loft, Inc	..	..	..	..	28	6	25	20	21¾	2
Miami Copper	30¼	12¾	49¾	16½	32¼	14½	169¼	123½	157	8
Nat'l Lead	91	42½	74⅝	44	148	63½	45	36⅛	43¼	4
N. Y. Air Brake	98	45	136	55⅞	145¾	26⅝	37⅛	19	32⅝	..
N. Y Dock	40¼	8	27	9¼	70¾	15¼	35½	22	35½	2.40
North American	*87⅞	*60	*81	*38⅞	100⅛	17½	50¼	43⅞	48	3
Do. Pfd	..	..	..	..	48½	31⅞	58¼	45	47⅜	2
Pacific Oil	..	..	..	..	69⅛	27½	61¼	44¼	53⅛	4
Pan. Amer. Pet	..	..	70¼	55	140¼	38⅛	59½	41¼	53⅛	4
Do. B	..	..	..	..	111¼	34⅛	53½	42⅞	50⅞	4
Philadelphia Co.	59⅛	37	48⅛	21½	50¼	26½	42½	31⅛	32	2
Phillips Pet	..	..	..	..	69⅝	16	12⅛	6⅛	10	..
Pierce Arrow	..	..	65	25	99	6¼	36⅞	18⅛	†33	..
Do. Pfd	..	..	109	88	111	13½	63¾	53⅛	†56	4
Pittsburgh Coal	*29¾	*10	58¾	37½	74⅛	45	62	30	45½	..
Pressed Steel Car	56	18½	88¼	17¼	113⅛	42½	90	67	†72¼	..
Do. Pfd	112	88½	109⅛	69	106	80	67⅝	47¼	52⅜	5
Punta Aleg. Sug	..	..	51	29	120	24¾	26⅜	20	23½	1½
Pure Oil	..	..	143⅞	31⅞	61⅞	16¼	131	106	134	8
Ry. Steel Spg	54½	22¼	78½	19	126¼	67	118	113	116	7
Do. Pfd	113¾	90¼	105½	75	121½	92½	14	9	11⅞	..
Ray Cons. Cop	27½	7½	37	15	27½	9⅞	15⅝	7¼	12	..
Replog'e Steel	..	..	..	..	93½	8	61⅞	42	45½	..
Republic I. & S.	49½	15¾	96	18	145	40⅛	95	82	†80	7
Do. Pfd	111¼	64½	112⅝	72	106¾	74	59½	40⅜	41½	4.42½
Royal Dutch N. Y	..	..	86	56	123⅛	40½	41½	33	†34	2.08
Shell T. & T	..	..	..	..	90⅛	29⅛	27⅛	15	16	..
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16	42¼	33	35¾	1
Stand. Oil N. J	*448	*322	*800	*355	*212	30⅞	119⅛	115¾	†117½	7
Do. Pfd	..	..	..	..	118¼	100⅛	87⅞	54½	68⅞	8
Stromberg Carb	..	..	45¼	21	118¼	22⅛	42	30½	42	4
Studebaker	49½	15¾	195	20	151	37¼	115	110	†110	7
Do. Pfd	98⅛	64½	119⅛	70	118¼	76	9¾	6¾	7⅝	..
Tenn. Cop. & Chem	..	..	21	11	17⅛	6¼	45⅜	37¾	40⅜	3
Texas Co.	144	74½	243	112	57⅛	29	15¼	8¼	9¼	..
Tex. Pac. C. & O.	..	..	..	..	195	5½	70¾	53	65¼	6
Tobacco Prod	145	100	82⅛	25	115	45	6¼	3¼	4⅛	..
Transcontl. Oil	..	..	..	..	62⅝	1¼	224½	182	†208½	10
United Fruit	208½	126½	178	105	224⅞	95¼	83⅝	61⅛	71⅛	..
U. S. Ind. Alco	57¼	24	171½	15	167	35¼	42⅞	22½	35⅞	..
U. S. Rubber	59½	27	80½	44	143¾	30⅝	94¼	66½	88⅞	8
Do. Pfd	123½	98	115¼	91	119½	74	36	18½	34⅛	..
U. S. Smelt. & R.	59	80⅜	81½	20	78¼	18⅜	111¼	94¼	108⅞	‡5
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	123	118⅜	122¼	7
Do. Pfd	131	102½	123	102	123½	104	81¾	64	75	4
Utah Copper	67½	88	130	48½	97½	41⅛	33½	19⅛	24½	..
Vanadium	..	..	..	..	97	24¾	10⅜	¾	1⅝	..
Va.-Caro. Ch.	70⅛	22	60¼	15	92½	6¼	34¼	2½	3⅞	..
Do. Pfd	129½	62	115⅜	80	115⅞	17	118	105	112¼	7
Western Union	36¼	66	105½	53⅛	121¼	76	65	55⅛	63⅛	4
Westinghouse Mfg	45	24¾	74⅞	32	67⅛	38⅞	66⅛	50½	64⅞	4
White Motors	..	..	60	30	86	29¼	14¼	6⅞	8½	..
Willys Overland	*75	*50	*325	15	40¼	4½	28	4⅛	0¼	..
Wilson Co.	..	..	84¼	42	104⅞	19	28	4⅛	6¼	..
Woolworth	177⅜	76⅛	151	81½	290	100	120½	72½	112	8

* Old Stock † Bid price given where no sales made. ‡ Not including extras.

ANSWERS TO INQUIRIES

(Continued from page 953)

340,000 shares of common stock and authorized the Board of Directors to sell the same from time to time at not less than $40 a share. Funds that may be derived from the sale of this stock can be used to advantage in strengthening the financial condition and providing for the future growth of the business. As the sale price is limited to $40 a share, this development should not have an unfavorable effect on the present market price of the stock, although it may be a factor in preventing an important upward move for the time being. For the six months ended June 30th, 1924, $2.64 a share was earned. We consider the stock to have fairly good long-pull possibilities but consider Martin Parry, paying $3 a share and selling around 33, to have better prospects for early appreciation in value.

GOODYEAR TIRE & RUBBER
Outlook for Dividends

What is the situation in Goodyear Tire & Rubber? I notice the company is paying off $750,000 of its bonds, has organized some sort of an export company and is holding out the possibility of liquidating the back dividends of the preferred, by issuing new common stock instead of cash. Can this be done without the consent of the stockholders? Must not accumulated dividends be paid in cash? I hold 25 shares of common, bought at 10, almost three years ago. Would you hold it?—A. R. S., Chicago, Ill.

Goodyear Tire & Rubber for the six months ended June 30th earned $5.60 a share on the 7% cumulative preferred stock on which back dividends total 28%. Allowing for only six months dividends on the preferred stock the balance is equivalent to $1.56 a share on the common. The present earning power of the company is sufficient to pay dividends on its preferred stock but hardly sufficient to warrant a large payment on account of back dividends. There has been some talk of liquidating the back dividends through an allotment of new common stock but there has been no official statement along these lines. Should any such plan be formulated preferred shareholders would not have to accept stock for their back dividends but could demand cash instead. However, if a large percentage of the preferred stockholders agree to the plan it could probably be put through. Should any such development take place it will be favorable for common stockholders as it would bring the question of dividends that much nearer. Goodyear Tire is steadily reducing its funded debt as it is obliged to do under the sinking-fund provision of its bonds. Each year a million and a half of the first mortgage 8s must be retired at 120 by lot and a million and a half of the debenture 8s at 110. While this is a drain on the cash resources of the company it is steadily decreasing interest charges. The recent reincorporation of the Goodyear Export Company is without particular significance. This new company will operate Goodyear's Sumatra properties and look after export activities. The company owns 20,000 acres in Sumatra of which

about one-fourth is under rubber-tree cultivation. The outlook for the tire industry has improved considerably in recent months and, while the common stock of Goodyear is highly speculative, we consider it to have possibilities of a long-pull nature.

AMERICAN CAN
Large Earning Power

When is the common stock in American Can to be split up? I have noticed a great deal of talk in the newspapers but I have received nothing official from the company. If they sent out anything to stockholders it did not reach me in the mails. What is your opinion regarding the stock? Should I sell mine or wait until it is split up, and sell the new stock? I have been thinking of selling the old and buying the split up shares afterward.—J. M. C., New York, N. Y.

There has been no statement of an official or even a semi-official nature that the shares of American Can Company are to be split up in the near future. As you state, there is considerable gossip along these lines but that, of course, is no indication that any such step will be taken by the management. We do not consider it likely that there will be a split-up of the shares in the immediate future. On the basis of earning power and financial condition American Can stock at present levels is very high compared with prices of several years ago but the advance is largely justified by the increased earning power of the company and improved financial condition. In 1923, the company earned $19.63 a share as compared with $18.30 a share in 1922 and in the current year earnings are expected to be just as favorable as in 1923. Only 5% is being paid to common shareholders but a substantial extra is anticipated at the end of the year. American Can stock is a speculative favorite and is likely to fluctuate in sympathy with the general market. As a long-pull holding, however, we do not consider it particularly attractive at present relatively high levels and believe it advisable to take advantage of present favorable market conditions by accepting profits.

SCHOOL FOR TRADERS & INVESTORS

(*Continued from page* 951)

become reduced, thus making it easier for the stock to advance, either as a result of natural demand or through manipulation.

Suppose our trader desires to sell short, but decides to await further confirmation of weakness and persistent distribution to buyers who do not realize that no higher price is warranted by the probable nearby future earnings of the company back of the stock. The issue may advance to its old top, then indicate its inability to proceed, react to 88, rally to 93, and again fail, thus confirming its weakness by lower support followed by a lower top. Short sales are probably justified at points G and H.

Note that sales at points F, G and H would be in accordance with our principle, namely, *sell during strength, and after evidence of distribution with lower support followed by lower top.*

MAKING WALL STREET SAFER FOR THE PUBLIC

(Continued from page 915)

firms to submit answers to questionnaires in which their financial position was fully set forth. We hoped and believed that this would be the forerunner of an indemnity plan, or at least that it would act in some degree as protection against failures. We cannot see that it has done so.

About twice a year on the average the firms doing commission business on the Stock Exchange are asked to submit their statements, as soon as the figures can be prepared. They are generally allowed from a few days to a week in which to do this. It is suspected in some quarters that at the first sign of a questionnaire there is considerable window dressing. Weak accounts are strengthened, certain accounts are shifted from one house to another, so that when the questionnaires are turned in practically everybody is able to pass inspection. It is a good deal like the small boy's being good when the policeman turns up. This is not meant as an inference that there is any fundamental weakness among the houses, but failures since the advent of the questionnaire prove that it fails to influence the kind of protection the situation demands. The failure of Day & Heaton is evidence of this. We do not know when their last questionnaire was turned in, but if this was done while the defalcation was under way it is likely that the stolen securities would have been listed as "on hand" as the other partners supposed they were.

The Stock Exchange should, whether it intends to carry out an indemnity plan or not, permanently employ a corps of expert accountants and investigators. Their work should be regarded as confidential in its highest sense. They should have the power to enter any Stock Exchange house at any moment and with no notice of their coming. They should have access to every stock, bond, record, book, paper, and other necessary data. They should require a checking of the securities and cash on hand in their presence. They should then go to the banks and check the securities held in loans, and to brokers with whom stock loans exist. They should compel the disclosure of the names of those who carry numbered accounts on the ledger. They should pounce in on a firm, no matter how short a time had elapsed since their previous examination; and the very fact that they were liable to do this would make everybody in every firm conduct himself and his business in a way that could not be criticised. All firms would then take such precautions and install such systems as would avoid the possibility of these Stock Exchange examiners ever finding fault either with their condition or their methods of doing business.

Loose leaf ledgers should be eliminated.

The Alternatives

If the Stock Exchange does not take some or all the steps necessary absolutely to eliminate failures from its future record, it will pay for its negligence and pay

well. As every member knows, the business has of late years been shifting more and more into banking institutions. Many accounts that are now being carried by banks and trust companies are there for the simple reason that their owners feel that with the Federal and State supervision of banking institutions and the precautions taken by managements of banks, their securities and equities are safeguarded to a degree to which the Stock Exchange has not been willing to go. Every Stock Exchange house knows the disadvantage of having its business thus once removed from itself—the loss of that valuable personal contact with clients; of the margin of profit in carrying accounts; the closing of avenues for direct sales through salesmen. Any increase in this tendency away from the brokerage houses and toward the banks will have far-reaching consequences with respect to the value of New York Stock Exchange seats and the desirability and profitableness of the brokerage business. Hence it behooves the Stock Exchange to take this vital step before public confidence is further undermined by its failure to do what the situation makes imperative.

Does the Stock Exchange hesitate to provide insurance because it would give the smaller houses a standing at present enjoyed only by the larger and older houses? The answer is that all of the houses will suffer together and the larger a firm's business now the greater will its dollar loss be eventually. Does the Stock Exchange hesitate because the setting aside of a small percentage of the commissions would amount to a great deal in the course of a year? It will cost very much more in the long run not to take the necessary protective steps.

Does the Stock Exchange figure what its own members have lost during the past several years by reason of these failures and what Wall Street as a whole has lost, not only in investment and marginal accounts, but in patrons who have abandoned the scene after being caught in the collapse of failed firms?

Let members of the Exchange consider the enormous gain in prestige; the great probable increase in the value of their memberships and the vast elevation of Wall Street and the Stock Exchange in the minds of the American public who now look askance whenever one of its firms is allowed to fail. It will be a proud day for the Street when it can say to the public: "You may lose your money in unwise investments, or in judging the time to buy or sell, but you can never lose a dollar by reason of the failure of any member of the New York Stock Exchange, and that is something that cannot be said of any other Stock Exchange in this country or of any banking institution where the public's funds are held in trust."

Wall Street may criticise some of my statements. It may question my judgment in urging these reforms, justly due the public, but it cannot impugn my motives. Every member of the Stock Exchange knows in his heart that what I say is true, and that something should be done—immediately.

MARKET RESULTS ARISING FROM SEGREGATION OF HARD COAL PROPERTIES

(*Continued from page* 930)

holders which would mark the price of the stock down to 52. Lehigh Valley is now paying $3.50 per share per annum and with earnings of Coxe Bros. eliminated should be able to show under reasonably satisfactory operating conditions an earning power of around $5 a share. **At present levels of 62 Lehigh Valley stock is not selling unduly high, but at the same time does not appear to offer especially good prospects for any important appreciation in value in the near future.**

4. DEL., LACKAWANNA & WEST.—GLEN ALDEN

Glen Alden Coal Company's properties are located in the Wyoming Valley. The coal veins lie almost horizontal and relatively near the surface, enabling the company to extract the coal at a minimum cost. Glen Alden with $1.48 per ton in 1923 is able to show by far the largest profits per ton on its coal of any of the large hard-coal properties. Production cost is low and coal is of excellent quality.

With the large coal properties divorced from the railroads and under independent management, there is likely to be increased competition for markets and, as Glen Alden is in a position to undersell most of the other companies and still make money, it is naturally in the most favored position. This situation has been realized by investors as evidenced by the remarkable advance in the price of Glen Alden stock in the past year. In 1923, approximately $12 a share was earned on the stock and in June a dividend of $3.50 a share was paid, a rate which it is generally understood will be paid semi-annually.

While Glen Alden in the writer's opinion is the most attractive of the hard-coal producers, the stock has advanced to such a degree that it no longer presents a particularly favorable buying opportunity. **At present levels of 125 the return is only 5½% and even on the basis of earning power as demonstrated last year the stock appears high enough.**

Delaware, Lackawanna & Western R. R. for the sale of its coal properties to the Glen Alden Coal Company received 60 million dollars of the latter's 4% bonds. These bonds are now held in the treasury of the former company. Lackawanna stock has recently had a substantial advance in market price accompanied by rumors that it would go into the Nickel Plate merger at a fancy price. These rumors have been denied by the Lackawanna management and, moreover, it is well to bear in mind that the terms under which properties have been taken into the Nickel Plate have been based primarily on earning power. Chesapeake & Ohio, for example, earning around $17 a share, is going in at the equivalent of 85 and it does not appear likely that Lackawanna earning at the rate of $9 a share would be taken in

at a price to even justify present levels of 140. While it is true that Lackawanna has 60 million dollars Glen Alden bonds, interest on this issue is included in earnings and were these bonds to be distributed to stockholders earnings would be reduced about $1.50 a share which would not leave a very large margin over the present dividend rate of $6. **The stock consequently does not appear an attractive purchase at present levels.**

5. JERSEY CENTRAL—LEHIGH & WILKES BARRE COAL

Central R. R. of New Jersey adopted a different plan for disposing of its coal property, the Lehigh Wilkes Barre Coal Co., than in the case of Lehigh Valley or Reading. Stockholders were not invited to subscribe to the stock of the coal company which was sold for cash to a group known as the Reynolds syndicate. The amount paid by the syndicate was 32 million dollars but before the property was sold large cash dividends were paid bringing the total amount received by Jersey Central for the property up to 45 millions. The Lehigh & Wilkes Barre stock had been deposited under Jersey Central mortgage and it was necessary to substitute thereunder new equipment purchased for cash. This together with payment of 6 millions outstanding notes used up 20 millions of the proceeds of coal property. The company now proposes to spend 13 millions on a bridge across Newark Bay. For this reason, a large cash melon by Central R. R. of N. J. cannot be expected as a result of the sale of the coal property.

Jersey Central owns some of the most valuable water-front property in the world. Included in its holdings is a stretch of land on New York Bay from pier 1 Jersey City south to Bayonne, a distance of more than five miles, improved with docks, warehouses, railroad yards, etc. Wharves and warehouses are directly connected by Jersey Central with practically all of the railroads entering New York from the south and west. This property was acquired years ago and has never been written up on the books. The increase in the value of this property alone, according to expert real estate estimates, would increase the book value of the common by at least $100 a share. The balance sheet of Jersey Central shows a book value of about $400 a share and if real-estate holdings were written up to their true value this would be around $500 a share. There are several large systems that would like to acquire Jersey Central and the Interstate Commerce Commission will finally have to decide to whom this valuable property will go. Should Jersey Central be merged with some other system there is every reason for believing that considerably higher prices for the stock would be realized than prevailing levels of around 240. **This issue undoubtedly has attractive speculative possibilities even at current levels.**

Lehigh Wilkes Barre Coal stock is still held by the members of the syndicate that purchased it from Jersey Central and there is no public market for the stock.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912,

Of The Magazine of Wall Street, published every other week at New York, N. Y., for October 1, 1924.

State of New York } ss.:
County of New York, }

Before me, a Notary Public in and for the State and county aforesaid, personally appeared E. D. King, who, having been duly sworn according to law, deposes and says that he is the Managing Editor of The Magazine of Wall Street, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher, The Ticker Publishing Company, 42 Broadway, New York City; Editor, Richard D. Wyckoff, 42 Broadway, New York City; Managing Editor, E. D. King, 42 Broadway, New York City; Business Manager, none.

2. That the owner is: (If the publication is owned by an individual his name and address, or if owned by more than one individual the name and address of each, should be given below; if the publication is owned by a corporation the name of the corporation and the names and addresses of the stockholders owning or holding one per cent or more of the total amount of stock should be given.)

Ticker Publishing Company, 42 Broadway, New York City.

Richard D. Wyckoff 42 Broadway, New York City.

Cecelia G. Wyckoff, 42 Broadway, New York City.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)

None.

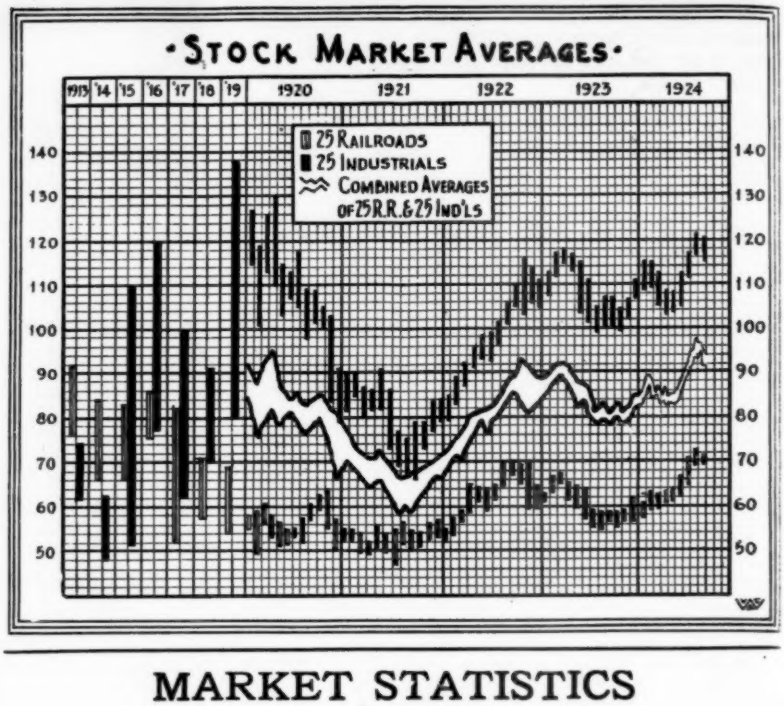
4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner, and this affiant has no reason to believe that any other person, association, or corporation has any interest, direct or indirect, in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication, sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is——. (This information is required from daily publications only.)

E. D. KING,
Managing Editor.

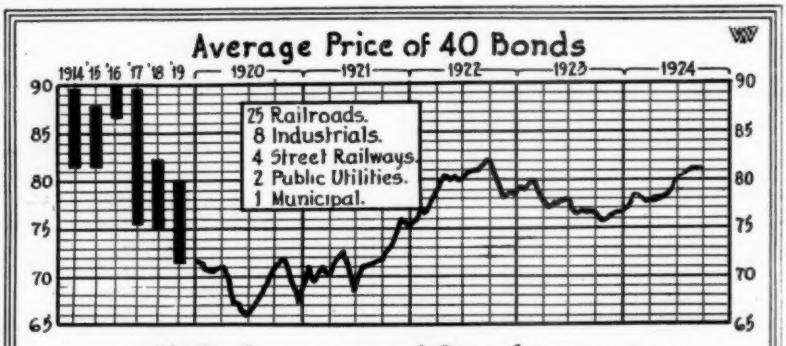
Sworn to and subscribed before me this 16th day of September, 1924.

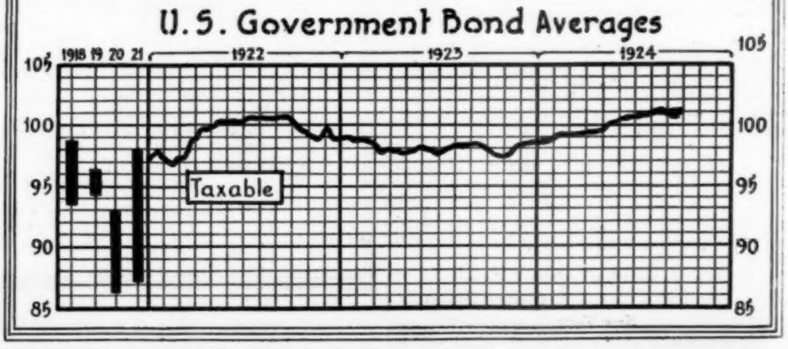
(Seal) John J. Janes,
(Notary Public)
New York County, N. Y.
My commission expires March 30, 1926.



MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times — 50 Stocks — High	N. Y. Times — 50 Stocks — Low	Sales
Thursday, Sept. 18......	80.80	103.42	89.69	94.37	93.58	942,632
Friday, September 19....	80.85	103.63	89.60	94.34	93.51	760,549
Saturday, Sept. 20......	80.95	103.85	89.81	94.55	94.96	377,857
Monday, September 22..	80.96	103.25	89.50	94.53	93.67	747,077
Tuesday, September 23..	81.20	104.16	90.03	94.89	93.87	810,231
Wednesday, Sept. 24....	81.29	104.68	90.71	95.52	94.61	1,008,060
Thursday, Sept. 25......	81.35	104.13	90.51	95.43	94.56	972,096
Friday, September 26....	81.43	103.98	90.35	95.32	94.47	851,226
Saturday, Sept. 27......	81.42	103.93	90.55	95.20	94.58	441,900
Monday, September 29..	81.28	102.96	89.99	95.08	93.99	837,340
Tuesday, September 30..	81.29	103.16	90.20	94.66	93.86	737,516
Wednesday, October 1..	81.27	104.08	90.28	95.20	94.31	861,381





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HOW FINANCE IS TAUGHT IN ONE PUBLIC SCHOOL

(Continued from page 946)

The class read pages of the local papers previously unknown to them to find the names of savings banks, and building and loan associations; they learned a new use for the city directory and the telephone directory. Being asked to list 50 colleges, one clever girl went to the football section of her Sunday paper and brought in a list of 75 colleges. The colleges written were asked to send a catalogue, and to tell us the average earnings of its graduates one year out of college, five years out and ten years out. As we read these letters in class, the pupils recognized that the earnings varied widely, and that the kind of work trained for and the thoroughness of the training made a vast difference in the sum of money found in the pay envelope.

What Pupils Gained from the Course

In summary, before that course in stocks and bonds was completed, the class not only realized that they ought to go through high school but also the possibilities of splendid college training and the financial assistance given in many colleges to the student who must pay his own way. They knew how few people were financially able to support themselves at 65. The note-books of the class contained also a list of leading financial institutions of the city, leading brokerage and bond houses, where and how to find the rating of any worth-while stocks or bonds, and of the business firms of our city and country. They knew that there was an agency ready to give the rating of any individual seeking credit. They were taught that reputation and character had its value too in the business world. They knew by actual correspondence that the commission charges of stock brokers were not $\frac{1}{8}$% through all eternity as the text in their arithmetic seemed to indicate.

In the entries for these note-books, we kept in mind information that would not only be useful to their parents in buying securities; but also where they could find the assessed value of any piece of real estate desired for a home.

Is It Worth While?

Teach the boys and girls of this generation how savings multiply, how to wisely invest these savings, and the necessity of providing for old age, and you stop the sale annually of millions of worthless securities, you prepare the way for millions of happy intelligent investors in our country. The political demagogue, who carries himself into power by utilizing the financial ignorances of great masses of people, would disappear from the land. The masses of people would own our railroad, public utility, and other securities. In short, the people of our country would become one great happy cooperative society; and, all of that can be brought to pass in less than one generation.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

Aeolian Co. pfd. (7)	x75	82
Aeolian Weber	10	14
Aeolian Weber pfd. (7)	x63	66
Allied Packers	4½	6
Pr. Pfd.	44½	46
American Arch (5P)	95	98
American Book Co. (7)	110	115
American Cyanamid (P)	92	96
Pfd. (6)	76	77½
Amer. Thread pfd. (5%)	3⅞	4⅛
Atlas Portland Cement (4)	97	105
Babcock & Wilcox (7)	131	134
Barnhart Bros. & Spindler:		
1st Pfd. (7) G	102	106
2nd Pfd. (7) G	92	..
Borden Co. (8)	126	128
Pfd. (6)	103	105
Bucyrus Co.	86	89
Pfd. (7A)	99	..
Burden Iron part. pfd. (8)	100	102
Celluloid Co. (4)	60	65
Pfd. (8)	100	102
Congoleum Co. pfd. (7)	100	102
Crocker Wheeler	28	33
Pfd. (7)	73	78
Eisemann Mag. pfd. (7)	43	47
Franklin Rwy. S.	80	90
Ide (Geo. P.) & Co., Inc.	8	10
Pfd. (8)	75	80
Jos. Dixon Crucible (8)	133	138
Ingersoll Rand (8P)	240	245
Johns-Manville, Inc. (3P)	105	110
Knox Hat	10	20
2nd Pfd.	40	..
Pr. Pfd. (7)	80	90
Lehigh Port'd Cement (3)	58	62
McCall Corp'n	74	77
Pfd. (7B)	120	125
National Fuel Gas (5P)	108	111
Nat'l Licorice Co. (5P)	75	..
Pfd. (6)	85	..
New Jersey Zinc (8P)	x158	161
Niles-Bement-Pond	28	34
Pfd. (6)	..	75
Phelps-Dodge Corp'n (4)	113	117
Pierce, Butler & Pierce (8)	96	..
Pfd. (8)	89	93
Poole Engin'g (Maryland):		
Class A	16	20
Class B	14	17
Purity Baking Co. (3)	55	62
Richmond Radiator Co.	14	17
Pfd.	82	88
Royal Baking Powder (8)	145	150
Pfd. (6)	98	100
Safety Car H. & L. (8)	107	110
Savannah Sugar (6)	67½	71
Pfd. (7)	84	87
Sheffield Farms (6)	120	..
Pfd. (6)	93	96
Singer Mfg. Co. (7)	160	170
Superheater Co. (K)	115	120
Technicolor, Inc.	7	8
Thomspon-Starrett (4)	70	..
United Bakeries	114	117
Pfd. (8)	100	103
Victor Talking Mach. (8)	x145	150
Ward Baking "A"	124	128
Ward Baking "B"	33½	34½
White Rock (K)	14½	15
2nd Pfd. (5)	73	76
1st Pfd. (7)	91	97
Yale & Towne (4P)	66½	68

*Dividend rates in dollars per share designated in parentheses.

A—In arrears 7%.

B—Arrears of 26% being discharged at rate of 7% annually in addition to regular dividend rate.

G—Guaranteed as to principal and dividend by Amer. Type Founders.

K—Dividend rate on this stock not established.

P—Plus Extras.

x—Ex-Dividend.

OVER-THE-COUNTER stocks were active and strong during the fortnight. Features of the trading included Superheater, White Rock 2nd preferred, Pierce Butler & Pierce and Victor Talking Machine.

Superheater Co.: Buying in this stock carried the issue up to as high as 120, a new high on the current movement, from which level it reacted somewhat in later trading. Announcement was made of the company's October dividend of $1.50 per share, payable the 15th to stock of record October 5th. This dividend brings cash payments by Superheater this year up to $16 per share, giving the buyer at the year's high of 136 a yield on his investment this year of about 11.70%. The company's operations, along with those of American Arch and other equipment concerns, are understood to have been been maintained at a good rate, and the closing months of the year give promise of special activity.

White Rock Mineral Springs: White Rock 2nd preferred, originally recommended by this Department on July 19th last at 55, sold at 75—a gain to buyers at the lower level of 20 points. Strength here requires no explanation beyond that previously published, reflecting the combined effects of good business, small working capital needs and a participating feature which gives the 2nd preferred the right to share in increased disbursements after $1 per share has been paid on the common. On the basis of last year's balance available for the common and 2nd preferred, the latter issue could have participated up to $12.30 per share. The market is evidently discounting extra-dividend action.

Pierce, Butler & Pierce: The 8% preferred stock of this company was reviewed in the last issue, and its price improvement may be pretty clearly traced to buying based on the facts brought out there. It was shown that an average of

$18.90 per share had been earned for this issue in the last 8 years, that earnings last year exceeded $38 per share; and the company's strong financial position was indicated by the net current asset worth for the preferred of well over $200 per share. The report that the company's operations this year had been at a comparatively high rate was, to an extent, borne out by the action of the directors at the September meeting, when an extra dividend of $1 per share was declared on the common stock. At least up to its callable price of 105, where it would yield over 7.60%, this preferred issue seems entitled to consideration, and is recommended for investment by this Department. As stated previously, its only visible shortcoming is a comparative lack of marketability, which does not have to be permanent but should not be overlooked.

Victor Talking Machine: Awakening of activity in Victor shares was a natural sequence to the statement by President Johnson, on September 24th, in which he laid the ghost of radio competition. Mr. Johnson said that the company's net earnings for the first 6 months of 1924 had been from 17% to 20% ahead of last year, while production was about 48% larger, and as the management of this particular company is not given to exaggeration, Over-the-Counter investors were willing to accept the report as proof, however surprising, that radio had helped rather than hurt the talking-machine business. The logic of this development would seem to be either that radio has cultivated an interest in good music or else that the quality of music to be had from a Victor record has been emphasized by experience with loud speakers.

Knowing, now, that radio has not hindered, but rather helped, the growth of the Victor Talking Machine Co., it is pertinent to review that growth, as revealed in the company's reports. It is found that, for the 9-year period since 1915, the company's earnings after all deductions have amounted to nearly $52,000,000 and that about half o these earnings have been plowed back. (Actually, during the period, dividends paid totaled $25,257,500, while additions to surplus totaled $26,737,-525.) In terms of the present capitalization (increased from 50,000 shares to 350,000 shares by a stock dividend of 600% in 1922) average earnings per share during this 9-year period were about $16.50, whereas dividend payments averaged $8.02 per share. This record is all the more impressive when it is remembered that the company has financed its growth, as the largest talking-machine company in the world, entirely out of earnings, all the while practising the utmost conservatism in its financial affairs. Thus, throughout the period, the company has carried its patents, territorial rights and matrices (or "master records" from which duplicates are made), which same unquestionably have a value up into the millions, at only $2, has been consistently free of bank debt and has maintained a large working capital, the latter approximating $23,000,000 at the close of 1923.

The trend of earnings has, of course,

(*Please turn to page* 980)

ARBITRAGING IN EQUIVALENT SECURITIES

(Continued from page 936)

were entitled to receive per 10 shares of old stock the following new securities:

$140 New Prior Lien 6% Bonds,
60 New Adjustment 5% Bonds,
10 shares of New Common Stock.

The new prior lien bonds carried with them interest from January 1st, 1922. The adjustment bonds rated for interest from January 1st, 1922, but as such interest was only to be paid if earned, they did not carry interest but were traded in flat. These new securities were delivered on April 5th, 1923.

On January 6th, 1922, an arbitrageur bought 500 shares of preferred stock at 1⅞. On that date the new securities were selling:

New Prior Lien 6s at............92
New Adjustment 5s at............45
New Common Stock at........... 8

Then we have the following results:

more than simple addition or subtraction, and indeed the keen judgment that is required is to a large extent accountable for the fact that there are comparatively few able arbitrageurs in the financial district. An arbitrageur must approximate the length of time it will require before the new securities are issued, and he must determine whether or not there will be enough unanimity to put the plan in operation speedily and effectively. Then even if he believes these factors favorable he must look on the darkest side and figure what would be the value of the securities he would be carrying if the reorganization plan fell through. An arbitrageur must be cautious, he must be able to detect the pitfalls that await him should anything go wrong, and still after he has weighed all the possibilities he must be bold enough to act surely and swiftly.

Of course, the arbitraging of a few bonds does not carry with it enough profit to pay for the amount of time and thought consumed, and the arbitrageur, if he considers all factors favorably, will risk thousands of dollars and buy many thousand of securities. Consequently, it is an operation which cannot appeal to the average investor but to those in the relatively small class of moneyed and experienced individuals, particularly those who have some experience in the intricate process of arbitraging.

500 shares preferred stock	$937.50
Assessments:	
1st instalment, $4,000, January 8th, 1922.	
2nd instalment, $2,000, May 9th, 1922.	
3rd instalment, $2,000, July 18th, 1922.	
Final instalment, $2,000, September 12th, 1922.	
Total assessments	$10,000.00
Interest on original purchase price and on instalments from dates on which paid to delivery day, April 5th, 1923	680.77
Commission for buying	37.50
Total	$11,655.77
SOLD:	
7M Prior Lien 6% at 92	$6,440.00
Less commission for selling	10.50
	$6,429.50
Plus interest January 1st, 1922, to April 5th, 1923	565.65
SOLD:	
3M Adjustment 5s at 45	1,350.00
	$8,345.15
Less commission for selling	4.50
	$8,340.65
SOLD:	
500 shares New Common at 8	4,000.00
	$12,340.65
Less commission for selling	37.50
Total	$12,303.15
Subtract cost	11,655.77
Profit	$647.38

This profit of $647.38 was realized in one year and three months, and it requiring only $2,500 actual cash to carry the transaction through, such a transaction was indeed profitable.

It is perhaps misleading to set forth these arbitrages as if they were simply arithmetical problems. The actual determination of whether or not an arbitrage should be entered into calls for much

REALTY EXPERTS FORESEE POSSIBLE REACTION IN REAL ESTATE VALUES

(Continued from page 917)

age to say exactly what he thinks, letting the chips fall where they may.

In his remarks to THE MAGAZINE OF WALL STREET, which follow, Mr. Bailey speaks in particular of the situation in New York City and vicinity, but his observations apply to all large centers of population throughout the United States where somewhat similar conditions exist. He said:

"The building boom, in my opinion, has passed its peak and is on the decline. But the situation is complicated. The building boom which is still continuing has been the greatest ever seen in the history of this country. The labor unions have been able ot maintain wages and construction has gone ahead. The vital point to be observed is that practically all of the housing construction has been for *tenants with incomes of $3,500 and upwards annually.*

"Construction for the small wage earner has been practically nil in the past five years. The demand for moderate-priced housing accommodations has not been supplied and *cannot be supplied at present costs and prices.*

"If there should be a substantial recession in labor and materials costs, another broad building movement might be expected, but neither is in sight at this time. In other words, the *poor man's rent problem can only be solved by an era of economic depression or revolt on the part of rent payers.*

"I was discussing this subject the other day with the head of one of the largest savings banks. I told him that I would wager he had not placed a mortgage within a year on a house which was not renting at a higher price than 90% of employees could afford to pay. He looked into the matter and found that I was correct.

"The labor unions in the building trades in New York City have been very ably managed from the standpoint of the labor interests, and they have been able to keep up the price of labor and the charges for extra time to a greatert extent here than possibly any other city in the United States. I do not know that they are to be blamed particularly for obtaining all they can because that seems to be one of the rules of life even though others may be injured by one's taking too much.

"Not only has it been necessary to pay exorbitant prices to union workmen in the present building boom, but it has been impossible, in many instances, to get them at all unless they were guaranteed at least two hours a day overtime at double pay. I have known plasterers to make as high as $30 a day. And owing to the restrictions against joining unions there have not been enough plasterers, tile and bricklayers, etc., to meet the demand. Owing to the falling off in the building of comparatively high-priced apartments and homes there has been less labor employment of late and a greater efficiency on the part of those employed. But the

labor unions would prefer to have their members idle several days a week rather than steady work for everyone at lower wages.

"San Francisco has shown us the way to solve the problem. Due to the co-operation of the city officials and the citizens that city has been made practically 'open shop.' Formerly it was the most oppressively labor-ridden of any city in the United States. You will recall, perhaps, that the citizens raised a fund of a million dollars to combat the unions and that schools were opened where apprentices could learn the building trades. So fair has been the treatment accorded the union and non-union men alike that, I understand, even the union men do not want to go back to the dark days of unionism.

"Prices of materials have fallen off about 10%, but still are high. You must not be deceived by figures on the total construction of apartment houses and homes. They are misleading for the reason that practically none of this construction is available to the moderate wage earner.

Moral Effect of Housing Shortage

"The dearth of adequate housing facilities for the poor man is having a very bad effect upon public morals. Social workers are all agreed upon this point. It is no uncommon occurrence to find, in the poorer quarters, a single room partitioned off by draperies into living quarters for three different families. Unless there is some relief things will eventually get so bad that the people as a whole will rise in revolt.

"Municipal building is not the answer to the problem. It has been tried on three different occasions in England and has failed dismally. The labor unions conspired to drag the construction work out as long as possible and when it came to renting the finished apartments, there was gross favoritism shown to government employees. Before the present crisis arose New York City's population, owing to the very efficient tenement-house regulations, was the best housed of any city in the country.

"I look for a general depression in real estate, due to overbuilding, but no recessions in apartments renting for $10 a room or less.

"The development at Gerrittsen Park, Brooklyn, by the Realty Associates, shows what a tremendous demand exists for moderate-priced accommodations. We evolved what we call the 'Ford house' constructed on the theory of the Ford automobile, i. e., built substantially with everything necessary but with no non-essentials. These 5-room houses with a plot of ground sell for $5,000 and are paid for at the rate of $17 a month. In two years we have sold more than 800 of such houses.

"One very positive advantage the housing shortage is responsible for, is the fact that it has made people take living much more seriously. High rents has made them think deeply upon the home-owning proposition. I venture to say that there are from 75,000 to 100,000 home owners in New York and immediate vicinity who would not have bought their own homes

had not the present crisis arisen. One evil is that many have bought their homes on too low a cash basis, sometimes as little as a $1,000 down. This is too slender a margin and the second mortgagees will get many of the homes of such purchasers."

Summing up Mr. Bailey's opinions as to the real-estate situation it appears that he expects a considerable slump in real-estate values among the relatively high-priced house and apartment fields. Secondly, that while there is ample room for a second building boom in moderate-priced apartment houses and dwellings this cannot come about until there is a general reduction in the prices of materials and labor, which can only eventuate through a general economic depression or concerted and united action on the part of the payers of rent.

A LOGICAL OIL SWITCH

(*Continued from page* 931)

434,000 bonds and that Phillips has a slightly greater amount of no par stock outstanding. The cash and working capital of Phillips is much stronger than that of the other company and the ratio of oil inventory to quick assets is 45% while Cosden's ratio of oil inventory to current assets is approximately 70%. Since the figures were published there have been numerous cuts in the prices of both crude and refined and the inventory values of both companies must be considerably below the June 30 totals but, of the two, Cosden must have suffered by far the most owing to its considerably larger percentage of crude and refined on hand.

An industrial company, ordinarily speaking, should not have more than 50% or 60% at the outside, of its current assets in the form of inventory but a larger percentage is allowed to oil companies owing to the liquidity, speaking financially as well as physically, of oil inventory. Too large an inventory, however, has been the bane of more than one oil company, and Cosden has suffered in this respect on more than one occasion. As a matter of fact, the shrinkage in Cosden's earnings during the last two years has been primarily due to the company's having too large an inventory at the wrong time.

Since the June 30th figures were issued, Phillips has sold 370,133 shares of treasury stock to its shareholders at $32 a share which brought the total of outstanding stock to 1,850,666 shares of the authorized 2,000,000. This sale brought $11,844,000 into the Phillips treasury and it is understood that this money has been largely used to extinguish approximately that amount of current liabilities which were accumulated in the purchase and development of new property.

Phillips, therefore, now has more than $20,000,000 in the form of cash and quick assets and less than $1,000,000 in quick liabilities. The ratio of quick assets to quick liabilities of better than 20 to 1 is the largest of any of the important oil companies.

In the manner of management, Phillips

has shown to better advantage than Cosden. This statement refers to the old Cosden management and not to the new, which has still to demonstrate its capabilities.

It should be remembered that Phillips and Cosden are in the oil business on somewhat different bases. Cosden is a complete unit in that it produces, refines, markets and distributes its own products. Phillips, on the other hand, sticks strictly to the business of producing oil and manufacturing casinghead gasoline.

From the standpoint of management, earnings, return on the investment and financial position Phillips appears to have considerably more to recommend it than Cosden. Nor is there any reason to believe that Phillips' prospects are not as bright as those of Cosden, if not brighter. Phillips is selling about 5 points higher than Cosden so the holder of 100 shares of Cosden could switch and receive approximately 80 shares of Phillips without putting up additional money. The writer believes that such a switch will be to the advantage of the investor over a period of time.

1925'S WEATHER FORECAST INDICATES UNUSUAL BUSINESS YEAR

(*Continued from page* 922)

mean just a general description of a year's weather, but I mean that we can now tell very closely the approximate dates of weather changes for large areas and indicate the nature of those changes. I do not hesitate, for example, to state what sort of weather the Mississippi Valley as a whole will have about the middle of next July. I would not undertake to predict rain in St. Louis on July 15, but when my studies for 1925 are completed I would undertake to forecast the humidity conditions of the St. Louis region during that month.

"The effect of long foreknowledge of weather cannot fail to have a profound effect on business and commerce and so on the security markets and investments. In the clothing trade, boots, shoes, rubbers, arctics, etc., it will be the fundamental factor. There will be no more waste of light materials and tropical fashions for chilly summers; and no waste of arctic preparation for open winters.

"Knowing his weather, the farmer will be able to adapt his season's plans to it, at least in some measure. Suppose we know that the whole Mississippi Valley is to have a drought in a certain year: Then the farmers will plant only those crops that do well on a small amount of moisture. Then transportation and every form of manufacture and commerce that is dependent on the nature and volume of agricultural production will know what to do to adapt itself.

"In fact, knowing the weather a year or so in advance is the same as knowing business and the markets in advance. Just consider the widely beneficial results if everybody will take fore-handed action for the kind of summer I know we are to have in 1927.

"The investor in securities will naturally want to part with the stocks of railways in regions that are going to be dried up or frozen up for a year or two. He won't be very partial to automobile stocks if he knows that the chief consuming regions for automobiles are going to be out of luck with their weather for several years.

"Just at the Beginning of the Science!"

"We are just at the beginning of the science as well as the art of long-distance weather forecasting; but the resources of science and civilization are such that if there should be a concentration of interest and research on this subject, as now seems likely, we shall be able to assemble all the required data within a relatively short time, though the accumulation of comparative data will, of course, depend on the passage of the years.

"One recently ascertained criterion of the earth's marine temperatures, of a spectacular nature, is the polar snow caps of the planet Mars. The extent to which those caps alternately advance and retreat is a measure of the sun's radiation of heat, and their movements have been closely measured in thousands of photographs for the past sixty years. When we have correlated actual marine changes as far back as records permit with the variations of Mars' snow lines and regularly correlated them from year to year, Mars will become the Earth's weather forecaster. We will take a look at Mars through our telescopes, study our charts, and declare the weather for years ahead, without being at all dependent on the factor of unreliability in our thermometric measurements of the heat transmitted by the sun to the earth."

Important Dividend Announcements

Note—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

	Amount Declared		Stock Record	Payable
6% Am G & E pf......	1½%	Q	10-11	11- 1
6% Amer Ice pf.......	1½%	Q	10- 8	10-25
7% Amer Ice cm.......	1¾%	Q	10- 8	10-25
7% Am Ship Bldg pf..	1¾%	Q	10-15	11- 1
9% Am Tel & Tel....	2¼%	Q	12-20	1-15
6% Assoc D G 1st pf.	1½%	Q	11- 8	12- 1
7% Assoc D G 2nd pf.	1¾%	Q	11- 8	12- 1
5% Assoc D G cm....	1¼%	Q	10-11	11- 1
7% Aust Nichols pf...	1¾%	Q	10-15	11- 1
4% Balt & Ohio pf....	1%	Q	10-11	12- 1
5% Balt & Ohio cm..	1¼%	Q	10-11	12- 1
7% Corn Pro Ref pf..	1¾%	Q	10- 6	10-15
$2 Corn Pro Ref cm..	$0.50	Q	10- 6	10-20
6% Cities Ser Co pf..	½%	M	10-15	11- 1
6% Cities Ser Co pf B.	½%	M	10-15	11- 1
6% Cities Ser Co cm..	½%	M	10-15	11- 1
15% Cit Ser Co cm (ex)	1¼%	M	10-15	11- 1
Cit Ser cm Bks Sh	$0.175		10-15	11- 1
7% C'goleum Co 1st pf	1¾%	Q	11-15	12- 1
4% Crucible Steel cm..	1%	Q	10-15	10-31
7% Gimbel Bros pf....	1¾%	Q	10-15	11- 1
5% Gulf Mob & N pf	1¼%	Q	11- 1	11-15
7% Macy (R H) & Co pf	1¾%	Q	10-11	11- 1
5% Mass Gas Cos cm.	1¼%	Q	10-15	11- 1
8% N J Zinc Co cm..	2%	Q	10-31	11-10
N J Zinc Co cm ex	2%		9-30	10-10
$4 N Y Air Br Cl A	$1	Q	12- 3	1- 2
$4 N Y Air Brake cm	$4	Q	10- 7	11- 1
8% N Y Canners 2nd pf	4%	S	1-22	2- 1
4% Nor & West pf...	1%	Q	10-31	11-19
6% Phila Rap Tra....	1½%	Q	10-15	10-31
6% Pittsburgh Coal pf	1½%	Q	10-10	10-25
4% Pittsbugrh Coal cm	1%	Q	10-10	10-25
7% Pitts Utilities pf...	3½%	S	10-15	11- 1
Pitts Util pf (ext)	2½%		10-15	11- 1
$2 Pitts Utilities cm..	$1	S	10-15	11- 1
Pitts Util cm (ext)	$0.40		10-15	11- 1
8% Postum Cereal pf..	2%	Q	10-21	11- 1
$4 Postum Cereal cm.	$1	Q	10-21	11- 1
$6 Sears, Roebuck cm	$1.50	Q	10-15	11- 1
$3 Superior Steel cm..	$0.75	Q	10-15	11- 1
6% United Drug cm...	1½%	Q	11-15	12- 1

OVER-THE-COUNTER

(*Continued from page* 973)

varied from year to year; but recent years have seen a high rate maintained. Thus, against average earnings of $5,800,000 for the 9-year period under review, earnings in 1922 exceeded $6,200,000 and in 1923, exceeded $6,569,000. Aside from the excellence of its product and the preponderance of leading artists on the Victor "staff," the company's greatest strength has lain in its handling of the dealer problem. It has over 10,000 dealers in this country, and the protection and co-operation extended to these agents has been a material factor in the company's success. A case in point was the company's establishment of a costly "record exchange" last year, to relieve the trade of old-type single-faced red seal records and supply them with new double-faced records in exchange—an undertaking which efficiently relieved dealers of a burden which might otherwise have proven excessive. It was to incompetent dealer treatment, by the way, that another great phonograph company's downfall has been chiefly attributed.

The recent price of $140 for Victor shares compares, according to the best records obtainable, with a high in 1923 of 175 and a recent quoted low of 125. At 140, on a dividend basis of $8 per share, the yield is about 5.70%, but there is no little belief that this dividend rate will be increased. If the company's net earnings should continue at a rate 20% ahead of last year—which possibility is accentuated by the fact that last year's earnings were cut down through deductions on account of extensive plant additions—the rate of earnings per share would exceed $22; and if the apparently established policy of the company to pay out about half its earnings in dividends were adhered to, payments per share would be around $11. On this basis, admittedly conjectural, the yield would exceed 7.80%.

This Department regards Victor with favor as a long-pull industrial stock investment. The company's capitalization consists solely of the 350,000 shares of capital stock.

1924'S BIGGEST EARNERS

(*Continued from page* 918)

of that industry. Like the railroads, these concerns benefit from conditions that are injurious to most lines of productive activity. The list of companies in this classification would make a very impressive total were the standards set for inclusion in our table slightly less vigorous, since the number of companies likely to show balances above $10, or even $12, a share for 1924 will be considerable.

One of the surprising features of the attached exhibit is the forceful display made by the motor stocks. In spite of the generally uneven trend of sales and production during the current year, it is evident that the stronger motor-car producers will suffer little by comparison

with last year's results. In a business so subject to changes in public favor it is clear that management must play an important part. It is equally apparent that the leaders are well equipped in this respect and that, given reasonably fair opportunities, earnings can be maintained on a very satisfactory basis.

The total of equipment stocks, it will be noted, is rather meagre. Earnings in this group, as a whole, will show a material decline compared with 1923, particularly with respect to the locomotive branch of the industry which, incidentally, is not represented in the table at all. Railroad demand for locomotives has been much below the level of 1923, but car buying is experiencing a sharp revival, orders being especially heavy at the present time. In fact, it now appears that the aggregate total of this year's buying will exceed that of the previous twelve months by a respectable margin.

In the list of miscellaneous industries some familiar figures will be noted in such issues as American Can, Otis Elevator, General Electric and other favorites. The capabilities of these companies are so well known that to dwell upon them would be to risk becoming tiresome.

Meanwhile, it may be interesting to look under the surface of conditions set forth by the table, for it is noteworthy as well for what it conceals as it is for its disclosures. To illustrate, no tire, fertilizer, textile, packing, leather, metal or steel stocks appear on the honor roll. To mention these industries is, perhaps, sufficient for the purpose since it will at once be recognized that these are among those hardest hit by the unfavorable conditions referred to above. These industries and a number of others, such as coal, shipping and the like, are so far removed from the high state of the leaders that there is small likelihood that any of their representative stocks can be considered as honor candidates for some time to come.

IS THE DEMAND FOR BANK CREDIT INCREASING?

(*Continued from page* 956)

modities as a partial security, in the belief that prices were either going to advance, or at all events to remain very high. This expectation was disappointed, as a result of the refusal of consumers to buy at the extraordinarily high prices which were arrived at, and also as a result of over-accumulation of supplies in many industries such as leather, rubber, and the like.

It appeared that the loans which had been made on stored commodities could never be liquidated at the values which then existed, and ought never to have been made because they were entirely dependent upon the assumption that prices would maintain themselves. There is no reason to think that any such extraordinary advance in price as then occurred is now in prospect, but if assisted by free grants of bank credit, a decisive upward movement might easily occur.

The real question at present, therefore, is whether any such advance of loan

credit is to be expected, or whether the policy of the banks of the country will be against the making of loans designed to assist in the buying and holding of commodities. Fortunately, the tendency thus far in connection with agricultural products is opposed to any such movement; but in other branches of business, there is always the possibility of a development along the line indicated with corresponding inclination to "tie up" bank funds. At the present time an unusual amount of such funds has gone into securities as may be seen by comparison of the accompanying table illustrating conditions as they existed at a recent date with those prevailing a year earlier.

During recent months, the natural tendency of the banks has been to buy heavily of income-producing securities but they have now reached the point where the yield, especially as compared with the risk of depreciation in price, is hardly sufficient to warrant further use of funds in purchasing of stocks or bonds. As money becomes lower and relatively more abundant, and as securities prices tend to rise, the influence upon bankers to shift over into commodity loans or loans made to business men who are buying heavily of commodities becomes more decisive.

This is what the banks of the country are now facing as a question of policy. A good many are already beginning to leave the bond market. The available supply of commercial paper is small, and the supply of securities which represent trustworthy and available investments of good yield is, if anything, still smaller. It is this which, more than anything else, constitutes a reason for fearing some speculative commodity lending operations; and the taking on of a number of foreign credits in the New York market whose security is at all events far from gilt-edged, furnishes illustration of the direction in which some of the city banks are undoubtedly moving. The process of clearing up the "frozen loans" of the past is likely to occupy some additional time in the agricultural regions.

Dividends

INTERNATIONAL PAPER COMPANY

New York, September 26, 1924.

The Board of Directors have declared a regular quarterly dividend of one and one-half per cent (1½%), on the preferred capital stock of this company, payable October 15th, 1924, to preferred stockholders of record at the close of business October 6th, 1924. Checks will be mailed. Transfer books will not close.

OWEN SHEPHERD, Treasurer.

CHICAGO PNEUMATIC TOOL COMPANY

Dividend No. 78

A quarterly dividend of one and one quarter per cent has been duly declared on the Common Stock of this Company payable October 25th, 1924, to stockholders of record at the close of business October 15th, 1924.

J. L. PRICE, Treasurer.

New York, September 23, 1924.

TRADE TENDENCIES

(*Continued from page* 958)

schedules to a more favorable basis. In recent weeks several companies have announced advances which should be a material aid in maintaining satisfactory profit margins.

Introduction of the new models has had a marked effect in stimulating sales, particularly in the agricultural districts where farm purchasing power has undergone material improvement, following the rise in prices of farm products. Deliveries from manufacturers to dealers are being made only as retail sales permit. Thus the industry is avoiding accumulation of surplus cars.

With prices higher and plants more fully employed, it is evident that motor-company earnings for the third quarter should show an encouraging gain over those realized in the preceding three months.

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Charters

DELAWARE incorporator; charters; fees small; forms. Chas. G. Guyer, 901 Orange St., Wilmington Del.

Dividends

The Baltimore & Ohio Railroad Co.

OFFICE OF THE SECRETARY

Baltimore, Md., September 24, 1924.

The Board of Directors this day declared for the three months ending September 30, 1924, from the net profits of the Company, a dividend of one (1) per cent on the Preferred Stock of the Company, payable December 1, 1924, to the stockholders of record at the close of business on October 11, 1924.

The Board also declared from the surplus profits of the Company a dividend of one and one-quarter (1¼) per cent on the Common Stock of the Company, payable December 1, 1924, to the stockholders of record at the close of business on October 11, 1924.

The Transfer Books will close at 12 o'clock noon, Saturday, October 11, 1924, and remain closed until 10 o'clock A. M., Tuesday, October 14, 1924.

C. W. WOOLFORD, Secretary.

The Bell Telephone Company of Canada

Notice of Dividend

A dividend of two per cent (2%) has been declared payable at the office of the Company, in Montreal, on October 15, 1924, to shareholders of record at the close of business on September 23, 1924.

JOS. JONES, Treasurer.
Montreal, September 10, 1924.

HUPP MOTOR CAR CORPORATION

Detroit, Michigan, October 3, 1924.

The Directors have declared a quarterly dividend of 2½% on the COMMON stock of the corporation, payable November 1, 1924, to stockholders of record October 15, 1924. Checks will be mailed.

A. VON SCHLEGELL, Treasurer.

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per annum on accounts of $5. to $5,000. payable on or after Oct. 15th, 1924

DEPOSITS MADE ON OR BEFORE OCT. 10th, WILL DRAW INTEREST FROM OCT. 1st

SAVINGS ACCOUNTS INVITED
BANKING BY MAIL

HERBERT K. TWITCHELL, *President*
WILLISTON H. BENEDICT, *Secretary* RALPH H. STEVER, *Cashier*

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Growth of Business—10 years

Year	Gross	Net
1914	$17,100,000	$8,187,000
1915	18,778,000	9,573,000
1916	18,941,000	9,383,000
1917	20,119,000	8,514,000
1918	22,870,000	9,840,000
1919	26,310,000	10,061,000
1920	34,986,000	11,528,000
1921	37,510,000	13,231,000
1922	39,205,000	15,788,000
1923	39,972,000	16,478,000
Increase 9 years	$22,872,000	$8,291,000

Common Stock Dividend No. 35

A regular quarterly dividend of $2.00 per share upon the common capital stock of this company will be paid on October 15, 1924, to shareholders of record at the close of business September 30, 1924.

EARNINGS-6 mos. ended June 30, 1924	
Gross earnings	$22,193,596
Net after taxes, etc. . .	8,461,878
Surplus for common stock after prior charges and depreciation . . .	1,851,359
6 months' dividends at annual rate of 8% on all common outstanding June 30, 1924 . . .	1,424,596
Surplus over common stock dividends . . .	426,763

Earned per share of common in six months $5.20

San Francisco, California — A. F. HOCKENBEAMER, *Vice-President and Treasurer*